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ASX Media Release

Ausenco delivers net profit of $41.4 million; expects growth into 2013

Ausenco Limited (ASX: AAX) today reported a 2012 full year net profit after tax of $41.4 million (57.1% increase over FY11) on the back of record services revenue, increased personnel numbers and an increased number of project delivery assignments.

Key financial highlights

- Record revenue from operations, up 15.6% to $633.5 million (FY11: $547.9 million)
- Underlying EBITDA increased to $68.0 million (FY11: $46.9 million)
- Underlying EBITDA margin increased to 10.7% (FY11: 8.6%)
- Attributable profit after tax of $41.4 million, up 57.1% (FY11: $26.4 million)
- Operating cash inflow of $41.2 million, up $29.8 million from 2011
- Strong balance sheet with net gearing ratio of 4.1%
- Earnings per share increased 56% to 33.5 cents per share
- Final 2012 dividend of 10.1 cents per share declared (franked to 50%)

Key operational highlights

- Personnel increased to 3,440 across the business - a 12.4% increase on 2011
- Currently work on hand, including preferred contracts, is at $451 million (31 Dec 2011: $447 million)
- Evaluate and Innovate phase work underway on $15 billion of projects, contributing to a strong Create phase pipeline into 2013 and 2014
- Create phase pipeline increased to $4.2 billion with 7 new Create EPCM contracts won during 2012
- Strong organic growth from acquisitions delivering compound average earnings growth of 11%
- Cross selling benefits achieved over $48 million in additional revenues in 2012
- Two strategic acquisitions will drive growth in oil sands and asset optimisation sectors.

$m	FY12	FY11	
Revenue from operations	633.5	547.9	↑
Underlying EBITDA	68.0	46.9	↑
Underlying EBITDA margin (%)	10.7%	8.6%	↑
Net profit before tax	55.5	33.6	↑
Attributable profit after tax	41.4	26.4	↑
Underlying earnings	41.4	26.4	↑
Basic earnings per share (cents)	33.5	21.5	↑
Operating cash inflow	41.2	11.4	↑
Underlying EBITDA interest coverage	19.4	10.1	↑
Dividend per share (cents)	20.1	12.9	↑

Attributable earnings and underlying earnings relate to profit attributable to shareholders of Ausenco.
Underlying EBITDA and earnings respectively for the period are identical to the reported EBITDA and earnings.
EBITDA represents profit before tax, net finance items, depreciation and amortisation.

Ausenco CEO Zimi Meka said the company's results reflected growth across the business in 2012. This has continued into 2013 with the winning of over $150 million of new revenue to date.

"Our proposal and near term tender activity is strong across all sectors and in all delivery phases, regions and clients.

"Our diversification is providing growth opportunities for all of our businesses. During the year we increased our service offering, expanded our footprint and built on our expertise in the important markets which are forecast to result in a high demand for our services in the future," he said.

"It is this strategic growth and diversification across sectors, commodities, regions and revenue streams that is underpinning our positive outlook for 2013 and beyond.

"Our work on hand, including preferred contractor revenues, is currently valued at over $450 million with more than 60% of our assignments under way in South America, Canada and Africa.

"This diversified and global work on hand includes our Create phase EPCM backlog, which is now valued at $4.2 billion of project Installed Capital Value (ICV), and our early phase pipeline, which is now valued at $15 billion of project ICV.

"In addition to new project developments, there are significant brownfield optimisation and expansion opportunities in our markets and we have the right expertise, relationships and geographic footprint to capitalise on these. During the year, we acquired a business that specialises in continuous improvement and asset management services. This will increase our share of the optimisation and expansion sectors and we expect continuing strong growth in these areas.

"Our Process Infrastructure business had an outstanding year in 2012. Margins grew from 11% in 2011 to more than 18% in 2012 on the back of increased market share and the provision of services up the value chain. This performance, along with the increase in cross-selling across all of our businesses, delivered an 11% organic compound earnings growth from the acquisitions which we completed over the past five years.

"The demand for continuous improvement services, which involve long term contracts to enhance the performance of capital assets, is increasing as companies seek to reduce costs and maximise the return on assets. We expect continued growth in this area."

"In addition, as a continuing part of our diversification strategy into the energy sector, we acquired a specialist company in the oil sands market. This will provide access to many opportunities in that high growth market.

Outlook

Mr Meka said Ausenco forecasts growth in 2013 on the back of the company's people numbers, the significant tender and proposal activity in which the company is involved, and the strong, diversified backlog of projects worldwide which is secured into 2014.

"We have good visibility of our future and are confident that our full project lifecycle offering, our sector diversity, our value proposition and our extensive geographic footprint will deliver growth," he said.

"Our growth is largely being driven from North and South America, Africa and Middle East and North Africa. Although there has been a slowdown in some sectors, geographies and commodities; the large number of opportunities in our markets and our track record of delivering value to our clients give us great confidence in the future for our businesses.

"Despite the slowdown in business conditions locally, Australia continues to be a key market for Ausenco and we have restructured our local operations and presence to maximise the services we can offer to Australian clients and to grow our Australian revenues.

"We believe our growth will largely come from the commodities of copper, gold and iron ore. However, we are also seeing increasing demand for our services in the chemicals, oil sands, and infrastructure sectors.

Furthermore, we are also focused on securing more recurring revenue assignments across all business lines."

BUSINESS SUMMARY

Safety performance

Ausenco achieved a Lost Time Injury Frequency Rate (LTIFR) of 0.62, based on 14.5 million hours managed during 2012 – a 23% reduction on 2011. The Total Recordable Injury Frequency Rate (TRIFR) was 2.55 per million hours managed from 3.29 in 2011.

Mr Meka said safety remained the highest priority for Ausenco in 2012 and all personnel were committed to improving their performance.

"We achieved a number of significant safety milestones across our operations during the year, including completing four years of work without an LTI at Isaac Plains and 1.2 million man-hours LTI-free at our Santiago office," he said.

"During the year, we also continued to implement world-class safety training, leadership and behavioural change programs across all of our project locations.

"As an example, we rolled out our Golden Rules of Safety globally. The Golden Rules of Safety focus on preserving life, changing behaviours and controlling potentially-fatal hazards through a common set of globally applied safety rules.

"There is a shared commitment to the goal of zero harm and I know all of our people are focused on attaining this target."

Capital management

Ausenco's gross cash position at 31 December 2012 was $52.6 million. Net debt increased to $11.8 million during the period (2011: $1.4 million) and the net gearing ratio increased to 4.1% (2011: 0.6%).

Net operating cash flow for the year was $41.2 million, an improvement from $11.4 million in 2011. Cash flow in the second half was impacted by timing issues on the receipt of monies for a few contracts; these funds are now expected to be received in early 2013.

At 31 December 2012, facilities available for working capital amounted to $114.3 million, comprising $52.6 million cash and $61.7 million banking and bond facilities.

During the year the group experienced a $0.6 million foreign exchange gain; an improvement on the $1.5 million loss in 2011. This was largely due to the company's broadening of its debt currency facility to provide a natural hedge against adverse currency movements.

Ausenco's capital expenditure was higher in 2012 due to the introduction of an Oracle Enterprise Resource Planning (ERP) system.

Ausenco announced an on-market share buy-back on 10 October 2012 with the capacity to buy back up to 6.2 million shares, representing 5% of its issued share capital, on market over the next 12 months. To date Ausenco has bought back $1 million of shares at an average price of $2.90.

Dividend

The Directors have declared a full year dividend of 10.1 cents per share (franked to 50%) reflecting the company's strong balance sheet and expected continued growth. The dividend will be payable on 1 May 2013 to shareholders on the register at 17 April 2013.

This is in line with our dividend policy and allows us to maintain an appropriate working capital capacity to support continued growth and the delivery of future returns to shareholders.

Operational review

The company posted an underlying EBITDA of $68.0 million, a 45.0% increase over the $46.9 million posted in 2011, reflecting the strength of our value proposition and continued growth in key markets.

Process Infrastructure and Minerals & Metals were the standout performers, achieving revenue of $154.9 million (2011: $144.9 million) and $375.6 million (2011: $310.0 million) respectively. It was particularly pleasing to see over $48 million in revenue from the cross-selling of work in the business.

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. The new regional APAC/Africa structure, which is led by Simon Cmrlec, will allow us to develop a deep expertise in all services and across all product lines. It will deliver growth across the full range of Ausenco's services in this region.

Despite the below target performance of the Program Management business in the year, we are encouraged by the strong inroads the business has made into strengthening its recurring revenue base and building the work on hand to provide a platform for improved performance in 2013. We are pleased to have promoted Ed Skinner to President, Program Management, effective 1 January 2013, to lead this global business.

We were also pleased to strengthen our business line leadership team with the appointment of John Zito, as President, Energy, and Peter Bokor as President, Environment & Sustainability towards the end of 2013. We expect that these two businesses will grow to make increasingly important contributions to the company's performance.

A key strategic milestone during the year was the implementation of the first phase of Ausenco's global enterprise wide business, planning and resources system. This will provide for significant improvements in decision-making and reporting across the business and it is pleasing to see that the Oracle ERP implementation program remains on budget and on schedule as we move towards completing the implementation by late 2013.

BUSINESS LINE SUMMARY

Overviews of the results of each business line are presented on the following pages.

Minerals & Metals

	Revenue		EBITDA		EBITDA Margin
	$m	Growth%	$m	Growth%	%
2012	375.6	21.2	58.6	16.7	15.6
2011	310.0	7.9	50.2	45.8	16.2
2010	287.2	30.7	34.4	(12.5)	12.0

The Minerals & Metals business focuses on the delivery of minerals processing projects, across the full project lifecycle, to the global mining sector.

Minerals & Metals achieved strong growth during the year, and in particular secured the delivery of EPCM services for HudBay Minerals Inc.'s Constancia copper project in Peru.

Some of the business' project wins in 2012 include:

- Evaluate phase work for Newcrest's Lihir gold project in PNG
- Innovate phase work for BHP Billiton Mitsui Coal Red Mountain coal project in Australia
- Create phase contract for Barrick Gold's Goldstrike project in Nevada
- Evaluate phase contract for Magellan Minerals' gold project in Brazil
- Evaluate phase contract for Hot Chili's Productora copper project in Chile.

The business expects continued growth in 2013 across diverse regions and commodities – from the Americas to the Middle East and North Africa in gold, copper, mineral sands and iron ore.

Process Infrastructure

	Revenue		EBITDA		EBITDA Margin
	$m	Growth%	$m	Growth%	%
2012	154.9	6.9	28.1	75.6	18.1
2011	144.9	(4.8)	16.0	-	11.0
2010	152.3	(6.3)	(0.5)	-	-

The Process Infrastructure business focuses on the delivery of projects across all solution phases to the global port, pipelines, marine and transport infrastructure sectors.

Process Infrastructure had an exceptional year in 2012, posting record earnings and margins, breaking into new markets and new regions and the provision of services up the value chain.

During the year, the business won significant Create phase contracts and a number of Evaluate and Innovate phase projects, including:

- Evaluate phase work for Colomi Iron's iron ore project in Brazil
- Evaluate phase work for MCC Mining's iron ore project in Australia
- Evaluate work for Carajás iron ore project in Brazil (and entered into a three year Master Services Agreement with Vale, Brazil)
- Innovate phase work for Mineração Paragominas bauxite project in Brazil
- Create phase work for Tizir's Grand Cote Operations SA mineral sands project in Senegal
- Create phase contracts for three chemicals projects with Cytec Industries in Canada
- Create phase contracts for the commissioning of three pipelines for Taiyuan Steel's iron ore mine in China

The business is committed to securing a greater portion of recurring revenue assignments in 2013 with growth expected to come from the commodities of coal, copper, potash, iron ore, chemicals and pharmaceuticals.

Program Management

	Revenue		EBITDA		EBITDA Margin
	$m	Growth%	$m	Growth%	%
2012	51.6	7.5	0.5	(89.1)	1.0
2011	48.0	-	4.6	-	9.6
2010	18.1	-	1.2	-	6.5

The Program Management business provides best practice project delivery services through the complete project lifecycle.

Although the financial results are not reflective of Program Management market positioning in 2012; the business line broke into new markets, further increased recurring revenue assignments and expanded its service offering through the strategic acquisition of business improvement and asset management specialist, The Rylson Group.

The business diversified and secured significant new projects during the year, including:

- Optimise phase four year contract for Vale's/Sumitomo's Isaac Plains coal project in Australia
- Optimise phase four-year alliance-style contract for Orica's Kooragang Island Chemical Plant in Australia
- Create phase three year contract at Newcrest's Lihir gold operation in Papua New Guinea

With a record level of work on hand, Program Management is focused on increasing recurring revenue in 2013 through its expanded offering and expanding its footprint in the Americas, Middle East and North Africa. As a result, the expectation is that Program Management will grow and return to historical margins during 2013.

Environment & Sustainability

	Revenue		EBITDA		EBITDA Margin
	$m	Growth%	$m	Growth%	%
2012	29.9	(17.4)	(0.8)	(134.6)	(2.7)
2011	36.2	(30.0)	2.6	(58.2)	7.1
2010	51.7	29.6	6.1	31.2	11.9

The Environment & Sustainability business focuses on providing environmental and geotechnical consulting services to the global resources sector.

Environment & Sustainability underwent a strategic review in 2012 and made significant progress to ensure that the business is best positioned to leverage opportunities in new and traditional markets and to grow. The business' financial results were impacted by continued uncertainty in Peru and Argentina, however, we expect a return to historical margins in the first half of 2013.

During the year, the business diversified into new regions and won the following new projects:

- Evaluate phase work for Xstrata's El Pachón copper project in Argentina
- Evaluate phase work for AngloGold Ashanti's Gramalote gold project in Colombia
- Evaluate phase work for Lane Xang Minerals Limited 's Sepon gold project in Laos
- Evaluate phase work for SEQ Water's Moreton Basin Water Resources Plan in Australia.

The business is focused on increasing market share in South America, North America and Australia by diversifying across industries and continuing to expand into new markets, which is expected to lead to a stronger more resilient business with improved sustainable margins.

Energy

	Revenue		EBITDA		EBITDA Margin
	$m	Growth%	$m	Growth%	%
2012	12.8	-	0.1	-	0.7
2011	2.1	-	(1.2)	29.4	-
2010	0.9	(84.6)	(1.6)	-	-

The Energy business focuses on the delivery of projects across all solution phases to the gas, renewable energy and power sectors.

Energy experienced steady growth in 2012; attracting talented new people, growing its client base and broadening its service offering through the acquisition of Reaction Consulting, a Canadian-based oil sands specialist.

During the period the business won:

- Evaluate phase work for Origin Condamine Gas Seep in Australia
- Innovate phase work for the Sakhalin-1 oil and gas project in Russia
- Evaluate phase work for ConocoPhillips' study of the Amauligak field in the Beaufort Sea.

The business anticipates continued growth in 2013, with the bulk of new work expected to come from the Americas. The business is focused on winning larger, more complex projects by leveraging its strategic acquisitions, capabilities and strong relationships with both clients and alliance partners.

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About Ausenco

Ausenco is a global, diversified engineering and project management group servicing the, Minerals and Metals, Process Infrastructure, Energy and Environment and Sustainability markets. Our growth strategy is focused on sector, solution and geographic expansion. We are known for our ability to innovate as demonstrated by our achievements on some of the world's most challenging projects. We operate from 30 offices in 19 countries, listed on the ASX in 2006 and have more than trebled in size over the past five years.