

**SGX/MEDIA RELEASE
For Immediate Release**

Company Registration Number 200413014R
15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316

Singapore and Australia
25 November 2016

AusGroup Quarter 1 FY2017 results

Improved operating performance in Q1 FY2017 – profit from operations up 65% however increasing finance costs led to a loss for the period

Q1 2017 highlights

- Revenue for the quarter was \$101.3m¹ reflecting a positive start to the year.
- Gross profit of \$9.1m for Q1 2017, underpinned by strong performance from Engineering Services.
- Port & Marine Services now re-structured and positioned to focus on commercialisation of the business.
- Profit from operations (EBIT) was \$2.4m, up 65% compared to Q1 2016.
- Increase in finance costs from \$1.2m (Q1FY2016) to \$4.3m (Q1 FY2017) resulted in a loss for the period of \$2.2m.
- Work in Hand of \$312.8m as at 30 September 2016, increased through organic growth of current contracts.
- Business re-structure complete – streamlined business with focus on core capabilities starting to produce results.

AusGroup Limited ('AGL' or 'AusGroup' or the 'Group') today announced its results for the three months ended 30 September 2016 ('Q1 2017'). This release should be read in conjunction with our SGX Announcement.

Income statement (abstract)	Q1 2017 AU\$'000	Q1 2016 AU\$'000	+I(-) %	Engineering Services AU\$'000	Port & Marine Services AU\$'000	Q1 2017 AU\$'000
Revenue	101,286	132,747	(23.7)	98,681	2,605	101,286
Gross profit	9,082	15,173	(40.1)	10,128	(1,046)	9,082
Margin	9.0%	11.4%		10.3%	(40.2)%	9.0%
Other operating income	1,959	299	n.m.	1,905	54	1,959
Administration, marketing & other costs	(8,628)	(14,010)	(38.4)	(7,055)	(1,573)	(8,628)
EBIT	2,413	1,462	65.0	4,978	(2,565)	2,413
Net (loss)/profit for the period	(2,162)	472	n.m.	533	(2,695)	(2,162)
Margin	(2.1)%	0.4%		0.5%	(103.5)%	(2.1)%

Operational Performance

The overall performance in the quarter saw a solid start to the year with Engineering Services producing an operating profit of \$5.0m (EBIT), on revenue of \$98.7m. This is largely as a result of the significant contribution

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from the maintenance contracts in Gorgon / Wheatstone and in Darwin (at the Inpex project). This trend is expected to continue throughout the year, with further organic growth likely on these contracts. The Port & Marine Services business has not performed so well in comparison, but the re-structuring of this business has been successful in so far as it has reduced the significant losses incurred in prior periods and is now better positioned to focus on the commercialisation of the business this year.

Following the disappointing results in FY 2016, which included significant non-cash impairments in the asset base of the Port & Marine business, AusGroup's first quarter results are encouraging with revenue of \$101.3m and an operating profit of \$2.4m, underpinning the plans that were instigated in FY 2016 to streamline the business and to focus on our core capabilities, primarily due to the continuing very positive results from our Access Services (MAS) and Projects business sectors.

Revenue for the quarter of \$101.3m was down 24% from the comparative quarter in Q1 2016 mainly due to the downturn in the Port & Marine Services work volumes and the completion of contracts in the prior year within the Maintenance business. There has however, been a significant increase in the work volume on the Inpex contracts as these works progress.

Gross profit for the quarter of \$9.1m was down 40% from the corresponding quarter Q1 2016. This resulted mainly from the fact that in the comparative quarter, research & development credits and inventory adjustments subsequently reversed in Q4 2016, accounted for \$3m of the gross profit. This amount coupled with the completion of the contracts in the Maintenance business referred to above accounts for the gross margin variance and after taking these adjustments into account, the normalised gross margins are within management's target range of 10%-12%.

The fabrication business in Australia and Singapore has reported small losses with the latter now in the process of closure (all closure costs were provided in Q4 2016). The Fabrication business in Australia has been rationalised to be operationally efficient however, the market conditions remain challenging.

Other operating income for the quarter of \$2.0m increased significantly from 1Q FY2016 mainly due to the gains from disposal of plant & equipment in Singapore as part of the closure process of that business, along with smaller profits on disposal as part of the completion of the Kwinana based asset disposal programme started in Q3 2016.

Administration, marketing & other costs in the quarter were \$8.6m, representing a 38% decrease from Q1 2016. This movement was mainly due to reduced costs of the corporate supports services following the cost reduction strategy started in Q2 2016 which is largely completed and has now resulted in an optimised servicing base. In addition, the costs in the quarter include one-off costs of \$1.3m for the professional fees incurred in the Noteholder Consent Solicitation Exercise (NCSE) as part of the re-financing of the MTN debt facility, which when adjusted increases the corporate support services savings compared to Q1 2016 to 48%.

Net loss attributable to equity holders (NPAT) in the quarter was \$(2.2)m which when compared to Q1 2016 is a \$2.6m decrease, however after adjusting for the research & development credits and inventory adjustments taken up in Q1 2016 of \$3.0m, the performance in the quarter was better than the comparable period by \$0.5m. Moreover, as noted above, the Group incurred \$1.3m of fees related to NCSE in Q1 2017. The finance costs during Q1 2017 is higher than in Q1 2016 due to the fact that Port Melville (part of the Port & Marine business) was under construction and interest of \$2.6m was capitalised in Q1 2016 whereas in Q1 2017, financing costs in the quarter of \$4.3m have been expensed as the port assets came into use with effect from November 2015.

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Financial position

	30 Sept 2016 AU\$'000	30 June 2016 AU\$'000	+/(-) %
Cash & cash equivalents	30,086	22,095	36.2
Total borrowings	180,044	179,150	0.5
Equity	(11,848)	(14,867)	(20.3)

Cash and cash equivalents for the Group as at 30 September 2016 have risen by 36% to \$30.1m (30 June 2016: \$22.1m) mainly due to the improved receipts of contract progress claims from customers offset by payments to suppliers during the period.

Borrowings have remained consistent since Q4 FY2016 at \$180m. The main change to the AusGroup borrowing profile revolves around the NCSE being voted in favour on 5 October 2016 which will re-classify the MTN loan from current to non-current during Q2 FY2017 to match the new repayment date of 22 October 2018. The terms of the Notes are currently being amended but as the vote was not completed until after the balance sheet date, the Notes have been presented as a current liability on the balance sheet at 30 September 2016 and 30 June 2016. This is a significant milestone for AusGroup as this will enable the business to operate on normal terms and improve operating returns without being distracted by ongoing MTN debt discussions.

Total shareholders' equity as at 30 September 2016 amounted to \$(11.8)m, an improvement of 20.3% over the previous year (30 June 2016 : \$(14.9)m), however, AusGroup continues to assess the options available to ensure that sufficient cash flow is available for the Group to meet its obligations as they fall due. These options include the potential for some of the Group's current debt providers to convert their debt to equity which has the dual impact of reducing the net liability position and reducing the cash outflows from debt servicing after conversion.

Summary

Managing Director Eng Chiaw Koon said: "The results from the first quarter of FY 2017 are significantly positive given the disappointing year the Group experienced in FY2016, which were negatively impacted by significant non-cash impairments resulting in a loss before tax of \$258m and a net liability on the balance sheet of \$14.9m.

The operating profit from the Engineering Services division of \$4.9m, whilst modest demonstrates the turnaround the Group has made to rationalise its cost base, focus on its core activities and re-structure the non-performing parts of the business.

It was also pleasing to note that the Noteholder Consent Solicitation Exercise received overwhelming support from the Noteholders resulting in the repayment date to be extended to 22 October 2018.

During the last year, the Port & Marine business has undergone a major re-structuring to enable the business to operate from a platform that will be focused on the commercialisation of the business once the expected environmental approvals process is successfully concluded.

Whilst the operating environment remains challenging and volatile, the focus for the Group is to continue working with our valued clients to ensure that we build a long-term business partnering relationship such that there is sustainable revenue growth, which we envisage will be mainly through our Maintenance, Projects & MAS business units."



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Background Information

AusGroup offers a range of integrated service solutions to the energy, industrial and mining sectors across Australia and South East Asia. Our diversified service offering supports clients at all stages of their asset development and operational schedule.

Through subsidiaries AGC, MAS, EOLH and Teras Australia, we provide maintenance, construction, access services, fabrication and marine services. With over 27 years of experience, we are committed to helping our clients build, maintain and upgrade some of the region's most challenging projects.

The Group wishes to inform that an investor briefing pack is also available on its website - www.agc-ausgroup.com.

Ends

Issued by AusGroup Limited.

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ABOUT AUSGROUP LIMITED (Bloomberg Ticker: AUGS.SP)

Main board-listed, AusGroup Limited is an energy and resources specialist providing fabrication, precision machining, construction and integrated services to natural resource development companies. The Company also provides access services for construction and maintenance contracts through MAS Australasia Pty Ltd (MAS). AusGroup has an established operations network strategically positioned throughout Australasia. For more information visit www.agc-ausgroup.com