

Interim Results Announcement

Half year ended 31 December 2012

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announcement

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Highlights

- Revenue of \$120.6m
- NPAT of \$4.3m
- Strong balance sheet with cash of \$46.9m
- Order book of \$186m
- Activity set to ramp up in second half
- LNG offers unprecedented growth opportunity

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Electrical and Instrumentation contractor Southern Cross Electrical Engineering Limited ("SCEE") today released its interim financial results for the half year ended 31 December 2012.

The table below sets out the key financial information for the half year ended 31 December 2012:

	Half year 31 Dec 2012 \$m	Half year 31 Dec 2011 \$m
Contract revenue	120.6	84.2
Gross profit	24.0	17.8
Gross margin %	19.9%	21.1%
Profit after income tax from continuing operations	4.3	5.1
Earnings per share	2.7 cps	3.2 cps
Interim dividend per share declared	Nil	Nil

The result shows SCEE continuing to build on the record results reported for the 2012 financial year with revenues of \$120.6m representing a 43% increase over the corresponding prior year period.

Key contributors to revenue in the half year included MCC Sino Iron, Rio Tinto Yandi Expansion, Rio Tinto Coastal Waters, AngloGold Ashanti Tropicana Gold Project, QCLNG Early Works, TSJV Lake Vermont and various Rio Tinto Cape Lambert Early Works projects.

Profit after tax for the half year was \$4.3m representing a 17% decrease on the corresponding prior year period. The later than anticipated timing of the award of the AngloGold Ashanti Tropicana Gold Project and Rio Tinto Cape Lambert Phase A has resulted in forecast revenue and profit on these projects being deferred to the second half of the year.

The overhead base of the business was increased during the half year in order to support the growth anticipated from the projects noted above but the later award date has resulted in an overheads as a percentage of revenue rate in the period of 12.3% (FY12: 9.9%). It is expected that overheads as a percentage of revenue will return to levels equal to or lower than FY12 as activity increases in the second half of the year. Both projects were in the ramp up phase at the end of the period.

SCEE ended the half year with a strong balance sheet and cash on hand of \$46.9m. Internal investment in plant, equipment and systems upgrades continued in the period with a capex spend of over \$15m.

The secured order book at 31 December 2012 stood at \$186m, of which \$140m is expected to be executed in FY13. These figures exclude work performed under recurring framework agreements which typically generate around \$2m of revenue per month. Tendering activity remains high and we continue to identify new opportunities in the market.

Effective 1 July 2012, we rebranded our business into three operating divisions offering project life cycle support to our clients: SCEE Infrastructure, SCEE Construction and SCEE Services. This formed part of an overall rebranding of SCEE which aligns with our strategic aim of becoming a recognised Tier One Electrical and Instrumentation contractor. Subsequent to the period end we have launched our new logo and visual identity.

The directors have not declared an interim dividend for the six months ended 31 December 2012. At this time the Company is reserving cash resources in order to fund the continued growth of its operations.

Managing Director's comments

Commenting on the results SCEE Managing Director Simon High said "the significant increase in revenue against the corresponding prior period is pleasing and leaves us well placed to deliver another record result in FY13.

While it was disappointing that we could not also report an increase in net profit, were it not for the later than anticipated award of key contracts I am confident this would have been the case. The increase in overheads in the period was necessary to support our continuing growth and the business is now appropriately sized for a company aspiring to turnover in excess of \$300m.

We continued to win new work throughout the half year and the Rio Tinto Cape Lambert Phase A contract was the largest awarded in the Company's history with a value in excess of \$100m.

We have progressed our systems development in the period and the delivery of upgrades to our project management and financial systems remains within budget and on track for phase one implementation in June 2013. We view this as key to our on-going commitment to delivering to our clients a Tier One service.

I was extremely proud that SCEE was the winner of the Rio Tinto Iron Ore 2012 Supplier Recognition Program Award in the Construction Category. We have a long and successful relationship with Rio Tinto and I look forward to this continuing in the future.

Performing our work safely remains SCEE's highest priority and we are pleased to report that we carried out our operations in the period without incurring a Lost Time Injury (LTI) and are now over eight years LTI free in Australia.

Outlook

With a healthy order book at 31 December 2012 and the AngloGold Ashanti Tropicana Gold project and Rio Tinto Cape Lambert Phase A ramping up in the second half of the year we expect to deliver a strong full year result.

We continue to see a substantial pipeline of work across the five sectors in which we operate. With up to \$7bn of E&I work expected to be performed over the next five years on Australian LNG projects, the LNG sector offers SCEE an unprecedented growth opportunity. It is for this reason that we took the decision to form KSJV, a 50:50 unincorporated joint venture, with highly regarded international E&I contractor Kentech. With the packages on these projects expected to be in the range of \$400m-\$500m each, the combined KSJV has the capacity to deliver against client expectations.

The growth of recurring revenues from our SCEE Services business is fundamental to our long term growth strategy and we are pleased to have service framework agreements in place with both Rio Tinto and BHP.”

About SCEE

SCEE is an emerging Tier One provider of specialised electrical and instrumentation services to Australia’s resources sector.

Delivering life-of-project electrical infrastructure, construction and support services to its blue-chip customers for more than 30 years, SCEE also has a strong reputation for safety and excellence.

Our expertise and capacity enables us to undertake complex large-scale projects in harsh and remote environments.

Committed to our people with a strong focus on training and development, our track-record and collaborative, flexible approach has seen us continually expand our global operations

SCEE was established in 1978 and is listed on the Australian Securities Exchange under the code SXE.