

Financial and Operating Update

1 April 2014

ASX & media announcement

ASX code: SXE

SCEE provides a financial and operating update for the full year ending 30 June 2014.

- **FY14 forecast impacted by delays in anticipated award and commencement of contracts and reduction in gross margins**
- **Forecast FY14 revenue in the range of \$235-\$255m**
- **Forecast FY14 NPAT in the range of \$7-10m**
- **Achievement dependent on award and execution of work in line with existing forecast schedules**
- **Pipeline of opportunity remains strong and tendering activity continues to be high**
- **Success converting opportunities to contract wins with an order book at the end of February 2014 of over \$135m**

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SCEE advises that it expects full year FY14 revenue to be in the range of \$235-\$255m with full year FY14 NPAT in the range of \$7-10m. This represents a decrease from current consensus forecasts.

The ability to deliver a full year result in line with consensus was reliant on the volume of activity in the second half meeting internal forecast schedules. Subsequent to the release of the interim financial results on 25 February 2014 it has become apparent that the ramp up and execution of key portions of the secured order book and anticipated contract wins will be later than previously forecast in addition to some scope being removed from ongoing work.

While there has been success in converting significant opportunities into contract awards in the early part of the second half, other identified opportunities, particularly in the iron ore and LNG sectors, are no longer expected to crystallise in time to impact on the FY14 result.

In addition to the timing impact of the above, margins continue to come under pressure from clients in an increasingly competitive market place. Having reported gross margin in the first half of 23.5% as a result of the successful completion of key large lump sum contracts, gross margin in the second half is expected to be around 15% giving a full year gross margin around 19% compared to 22.1% in FY13. As a consequence of the delay in anticipated award and performance of work overheads will remain higher than forecast until the levels of activity increase in the fourth quarter.

Commenting on the forecast full year results SCEE Managing Director Simon High said "while it is disappointing that we have had to revise our full year forecasts it is important to note that this is in large

part due to the expected timing of the execution of secured and anticipated work. As an E&I contractor operating towards the end of the construction cycle we are particularly susceptible to these scheduling changes.

That we are under increased margin pressure is undeniable and we continue to target productivity improvements to counter this. Our recent systems and project controls upgrades will play a role in achieving this and having invested heavily in upgrading our plant and equipment fleet in recent years we expect to see continued financial benefit from the reduced requirement for hired assets.

We will continue to manage our overhead levels to ensure they strike the appropriate balance between cost control and the ability to deliver our projects safely, on time and on budget. After delivering two years of record financial results we have a business with the capacity to support activity levels above those which we are now forecasting for FY14. We are actively looking for additional areas of business, through selective diversification as well as partnering opportunities, which will continue growth in both our revenue and bottom line NPAT numbers.

Our balance sheet and order book remain strong and tendering remains at a consistently high level. We continue to see a significant pipeline of opportunities, particularly in iron ore, LNG and power generation.

Our long term strategy remains unchanged with the growth of recurring revenues from operations, maintenance and sustaining capital works fundamental to achieving this.”

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 operations.

SCEE was established in 1978 and was listed on the Australian Securities Exchange in 2007 under the code SXE.