

**SGX/MEDIA RELEASE
For Immediate Release**

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

Singapore and Australia
14 February 2017

AusGroup reports Q2 2017 profit of \$1.1m

Q2 2017 highlights

- Revenue for the quarter was \$106.3m¹, underpinned by growth from core projects within the Engineering Services Division.
- Gross profit of \$9.5m for Q2 2017, continuing on from the strong performance in Q1 2017.
- Profit from operations (EBIT) was \$4.8m, an improvement of \$3.6m on Q1 FY2017.
- Port & Marine Services business now free to operate following Federal Environmental approval received in the quarter.
- Work in Hand of \$351.3m as at 31 December 2016, increased through organic growth of current contracts.
- Completion of the extension of the maturity date for AusGroup's loan notes to October 2018.
- Singapore facility closure substantially completed removing major lease liability obligations (disclosed as "discontinued operations").

AusGroup Limited ('AGL' or 'AusGroup' or the 'Group') today announced its results for the three months ended 31 December 2016 ('Q2 2017'). This release should be read in conjunction with our SGX Announcement.

Income statement (abstract)	Q2 2017 AU\$'000	Q2 2016 AU\$'000	+ / (-) %	H1 2017 AU\$'000	H1 2016 AU\$'000	+ / (-) %
Revenue	106,284	122,848	(13.5)	206,366	251,772	(18.0)
Gross profit	9,511	(4,195)	n.m.	19,414	13,005	49.3
<i>Gross Margin</i>	8.9%	-5.1%		9.4%	5.2%	
Other operating income	607	(27)	n.m.	990	24	n.m.
Administration, marketing & other costs	(5,353)	(57,201)	90.2	(14,520)	(70,008)	79.3
EBIT	4,765	(61,423)	n.m.	5,884	(56,979)	n.m.
Discontinued Operations	137	(3,836)	(103.6)	1,313	(6,329)	(120.7)
Net profit/(loss) for the period	1,094	(69,766)	n.m.	(1,067)	(69,294)	n.m.
<i>Margin</i>	1.0%	(56.8%)		(0.5)%	n.m	

The results for the quarter and half year have been consistently strong as a result of the performance from our core projects in the NT and WA Oil & Gas sector with profitability returning to more normalised levels following the re-structuring of the business completed in FY2016. The half year Net loss of \$1.1m when compared to the adjusted H1 2016 results, removing items that are unusual to the ordinary course of business (impairments and one-off restructuring costs - \$62.4m) shows a significant improvement of \$5.8m. It is expected that the return to profitability will continue through the next half of FY2017 and into FY2018 and FY2019 as our core projects grow in scale and complexity, providing opportunities for organic growth.

¹ All figures in quoted in Australian dollars unless otherwise noted.

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Port & Marine having undergone a major restructuring since Q2 2016, is now able to operate freely following the Federal Environmental approval granted in Q2 2017, which allows for commercialisation activities to be implemented and executed.

Operational Performance

Revenue for the quarter of \$106.3m was down 13.5% as compared to the corresponding period Q2 2016 mainly due to the completion of a key contract in the Maintenance business in Q3 2016. The main revenue contribution was from work undertaken in our core projects in the NT, which augurs well for future reporting periods.

Gross profit for the quarter was \$9.5m, a solid improvement from a gross loss of \$4.2m in the corresponding period Q2 2016. This was mainly due to the inclusion of a write back of research and development tax credits of \$16.3m included in cost of sales in Q2 2016, however the underlying margin made on our core projects is now at a more normalised level, being consistent over Q1 2017 and Q2 2017 and is expected to be maintained for H2 2017.

Administration, marketing & other costs in the quarter were \$5.4m, which included a reversal of \$1.3m in relation to the Non-consent solicitation exercise (NCSE) costs recognised in Q1 2017 that have now been capitalised and will be amortised over the extended note repayment period to 31 October 2018, representing a 90.2% decrease from Q2 2016. This improvement was mainly due to inclusion of items in Q2 2016 that are unusual to the ordinary course of business (impairments and one-off restructuring costs - \$45.7m) combined with overhead reductions in Q2 2017.

Discontinued operations Included in the H1 discontinued operations are the gains related to the sale of the equipment in the Singapore Fabrication and Manufacturing business, realising \$1.3m from the disposal.

Financial position

	31 Dec 2016 AU\$'000	30 Jun 2016 AU\$'000	+ / (-) %
Cash & cash equivalents	36,046	22,095	63.1
Total borrowings	176,061	179,150	(1.7)
Equity	(8,594)	(14,867)	42.2

Cash and cash equivalents for the Group as at 31 December 2016 have risen by 63.1% to \$36.0m mainly due to accelerated receipts of contract progress claims from customers in Q2 2017 offset by payments to suppliers during the period.

Borrowings have reduced marginally since Q4 2016 to \$176m. The main change to the AusGroup borrowing profile revolves around the re-classification of the MTN loan to non-current following the completion of the NCSE on 5th October 2016, with the debt now secured against Port assets.

Total shareholders' equity as at 31 December 2016 amounted to \$(8.6)m, an improvement of 42.2% compared to the position as at 30 June 2016. 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. The Group was in a net asset position of \$10.8m as at 31 December 2016.



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Summary

Managing Director Eng Chiaw Koon said: "The results from the second quarter of FY 2017 demonstrate that the Group is well on the path to a sustainably profitable future following solid performances from all of the projects we are currently engaged on, in the NT and WA.

There has been a significant milestone in the quarter with the approval from the Federal Minister of the Environment in respect to the Port Melville operations which allows for the business to pursue commercial activities un-encumbered. The Oil & Gas environment is still offering many challenges but the approval positions us to be pro-active in determining commercial outcomes advantageous to the success of the business.

The Q2 2017 profit of \$1.1m, although modest, demonstrates that the Group has now returned to a normal operating model with a key focus on the future to improve our results further and also to strengthen our relationships by working closely with our valued key clients.

The completion of the Noteholder Consent Solicitation Exercise in early January 2017 was also a positive outcome as the extended repayment period has been approved in a very difficult environment.

The operating environment still offers many challenges for the Group but the return to consistent profitability instils confidence that the Group is on the path to a sustainable future, which will only be achieved by working closely with our key clients and executing our key contracts to a mutually beneficial outcome."

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: AUSG.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