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Australian Stock Exchange Ltd

**EAL Company Update: FY14 outlook, safety results and \$75 million in new contracts**

E & A Limited (ASX: EAL) today updated shareholders on its earnings outlook for the 2014 financial year, safety performance and \$75 million of new contracts.

After a record first half performance shareholders will have now received a 2.75 cents fully franked dividend paid on Monday, 16 June 2014.

Financial statements for the year ended 30 June 2014 are still to be finalised. On the basis of unaudited management estimates, the Company's current expectations are that net profit after tax will be comparable with the record annual profit of \$7.7 million after tax recorded in the previous year.

Mr Stephen Young, Executive Chairman said that, "While the forecast results are lower than anticipated earlier in the year, we are expecting to deliver our previous record earnings in what has increasingly become a very tough and competitive market.

Our recent success in winning new work such as we have announced today, in extending our safety record further and in securing approval for self-insurance, show EAL has started the new financial year with a solid order book and good momentum."

Mr Young said the record revenue and lower earnings expectations reflected ongoing growth in the company's business during the quarter and lower margins earned as a result of a difficult construction contract completed in south-east Queensland, lower utilisation in its Whyalla facilities as a consequence of the Federal Government bringing forward the Renewable Energy Target (RET) review and the general trend towards customers requiring contractors to do "more for less" as major greenfield expansion projects came under increasing cost pressure as they approached completion.

Margins generated by Ottoway Engineering had been affected by an 8 month delay to the finalisation of a major contract where 80% of the client supplied material was received after the scheduled date for practical completion. Notwithstanding the contract is now nearly complete, negotiations with the client in relation to outstanding claims are ongoing, and the final outcome still remains uncertain.

**E&A Limited** ABN 22 088 588 425

Level 27 91 King William Street Adelaide South Australia 5000 Telephone: (08) 8212 2939  
[www.ealimited.com.au](http://www.ealimited.com.au)

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EAL expects to announce its financial results for the 2014 financial year on Thursday, 28 August 2014.

### **Safety Performance**

Mr Young said one of EAL's subsidiaries, ICE Engineering & Construction, had recently completed 7 years representing 1,500,000 hours worked without a lost time injury. "Their safety performance together with the outstanding work without a lost time injury performance of Fabtech (5 years), QMM (4 Years), Ottoway and E&A Contractors (3 years) has been extraordinary and is a credit to all involved including our clients who, on-site, demand stringent compliance with their safety systems".

### **Self-Insurance – WorkCoverSA**

Mr Young advised E&A Limited recently received notification that WorkCoverSA had approved its application for self-insurance registration effective 1 July 2014.

Mr Young acknowledged the significant effort of all EAL subsidiaries management and employees, whose commitment to safety and efforts in building a safety culture had been a significant enabler to achieving this outcome.

Mr Young acknowledged the outstanding support EAL had received from the WorkCoverSA evaluation, executive team and board in processing EAL's application.

### **Acquisition Update**

EAL has previously advised of its intention to complete acquisitions in complementary sectors and regions as part of its growth strategy. This intention remains and the Company is continuing to review opportunities with the objective of completing at least one value-adding transaction each year.

An acquisition targeted for completion in the last twelve months was not completed.

Mr Young said this unexpected development was most disappointing particularly in view of the commitment of resources and effort made by EAL towards the transaction.

Litigation has commenced to recover the losses incurred by EAL as a result of the vendor's decision to withdraw the business from sale.

Mr Young advised notwithstanding this setback that he remained confident that another acquisition his team were working on would be completed before Christmas.

### **Recent Contract Wins and Order book outlook**

EAL subsidiaries have recently secured contracts for new work of approximately \$75 million and as a consequence the order books were well-positioned for the coming year.

The Water and Fluid Segment's strong first half performance has continued with Fabtech securing \$20 million of contracts with Golder & Associates for QGC Northern Wastewater Treatment Plant, Arrow Daandine Brine Dam, SA Water Happy Valley Water Treatment Plant and other various smaller contract wins.

Fabtech Managing Director, Graham Fairhead said, "Fabtech is pleased to be working on these significant projects. Fabtech over the past 12 months has consolidated its position in

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the market as Australia's pre-eminent geo-membrane supply and lining company and remained committed to delivering the projects safely, on time and to specification".

Ottoway Engineering has recently secured new work in excess of \$40 million. Chief Executive Officer of Ottoway, Bryan Tidswell said Ottoway had been successful in securing a number of contracts recently including:

- Significant shop and site works in Southern Queensland to provide specialist pipe spooling and welding tradespeople as part of Santos' upstream field services work;
- Mechanical and Pipe Spooling works in the Pilbara region of Western Australia; and
- The final phase of construction labour for Fluor in Southern Queensland.

ICE Engineering & Construction had recently secured works in the order of \$15 million. Mr Nick Bindi, Chief Executive Officer of ICE Engineering advised that ICE Engineering had been successful in winning a number of contracts recently including:

- Mooka Ore Car Repair Shop electrical installation;
- Big Lake Electrical & Instrumentation works for Santos;
- Comet to Wallumbia Loop Pipeline for Fluor; and
- The final phase of electrical labour for Fluor in Southern Queensland.

E&A Contractors recently received an order from Senvion for the construction of 3 wind towers. Mr Tidswell, Chief Executive of E&A Contractors advised that whilst this was a relatively small order, "It represented a significant development as Senvion are a major participant in the Australian Wind Tower Industry".

Mr Young said that he expected confidence in the wind energy sector would improve in the near future with the anticipated removal of uncertainty regarding the Renewable Energy Target (RET), "Tendering activity and project activity has been substantially curtailed whilst the RET review is ongoing. However, as a result of recent changes in community and political sentiment, we expect a positive determination of an acceptable outcome in respect of the RET which will see a resumption of activity. The recent support evident for renewable energy and the RET target is very positive for the future work outlook in this sector".

For further information:

**Stephen Young**  
Executive Chairman  
Ph: +61 8 8212 2939

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