

Address by Dr David Prentice, Chief Executive of Opus International Consultants

Good morning ladies and gentlemen

As Kerry said, 2012 was a good year for us. It was a year of growth and diversification, underpinned by investment and a strong improvement program.

Importantly, we increased our top line growth with Operating Revenue up by 3.6%, and underlying net profit up by 1%. While our EBIT of \$30.1 million was down slightly on 2011, it reflected a number of one-off costs, as well as deliberate investment in a number of improvement initiatives, aimed at strengthening our position for future growth.

This top line growth is crucial, in what is an extremely competitive market. We have focused on sustainable development and growth in traditional areas, new sectors and new geographic locations.

I will now outline how we performed in each of our markets before talking about our improvements to the business and our intentions for the coming year.

We had a very strong year in New Zealand, achieving a record EBIT of \$30m – an 8% increase. Our strong presence here in Christchurch was a significant factor in this result. Growth in Christchurch is expected to continue, however it will be balanced by relatively flat revenue streams across the rest of the country.

The rebuild of Christchurch is crucial to us. We have a long standing connection with the city, a highly capable and committed team, and have drawn on our global expertise to support our Christchurch business.

We have been involved in the post-Earthquake recovery from day one. Our team here has grown by almost 80 people, to around 290, and we are still recruiting, particularly for structural engineers. We have 24 full time staff on the Stronger Christchurch Infrastructure Rebuild Team, and are playing a pivotal role in on-going work with a wide range of organisations, including CERA, the Christchurch City Council, Lyttleton Port Company and the Ministry of Education. We're leading the consortium providing design concepts for the Avon River Precinct and North and East Frames redevelopment, and we also provided design services in the development of the Justice and Emergency Services Precinct business case.

In the past year we have also targeted a number of new areas for growth, including the rural sector, specifically dairy, irrigation and land and water management. In irrigation alone, government and industry momentum, and a stronger focus across the industry on good management practices for water and nutrients, mean there is significant potential for growth. We offer specialist teams, have a strong reputation in the wider water sector, and are well placed to leverage opportunities.

In the Energy sector, we have been working with Mighty River Power and Genesis Energy on the Ngatamariki Geothermal Power Plant, and made good progress with the Energy Efficiency and Conservation Authority's 'Warm Up New Zealand' programme. In the coming year, we are looking to develop our core team in this field, to build on our expertise in civil engineering and project management.

We had a difficult year in Australia. While Operating Revenue was the highest ever at \$79m, an increase of 21%, overall we saw an EBIT loss of \$NZ0.9m as the sharp weakening of the Australian economy had a substantial impact on the business. This was compounded by around \$1.4m in one-off costs, including bad debt expenses, a double lease provision in our Queensland operation, and restructuring costs.

The revenue increase was mainly due to the successful integration of Opus Rail, which has brought with it increased specialist capabilities in the rail sector, and we expect this to translate into further growth. We have also initiated new ventures, including a new Mechanical and Electrical business which is demonstrating positive growth, a Water Industry Training Joint Venture with the Australian Water Association, a new Environmental Division, and we have been looking closely at resource sector opportunities.

While we are realistic about the challenges in the market, given the continued uncertainty of the Australian economy, we expect a general improvement across the business in the coming year.

We had a good year in Canada. Opus DaytonKnight continues to perform well, and we had 28% growth in EBIT, mainly due to tighter cost management and efficiency improvements across the business.

The business achieved some key strategic contract wins which put it in a strong position for this year. Our expertise in asset management, and the development of our Global Asset Management team, is opening up new opportunities for us, and a showcase project is the contract with the Michigan Department of Transportation. The MDOT oversees more than 15,000km of public roads, and we are working with KPMG to help MDOT develop a system to set and manage performance standards and manage life-cycle costs across their road network. Historically asset management has not been a focus for US local, state or federal governments, but austerity measures are now driving a greater focus on whole-of-life asset management. The contract has a good deal of flow on potential, and we are actively pursuing similar contracts across a number of other US states.

While we made a loss in the UK last year, we saw a 50% improvement in the performance of the business on the back of our contract win with the Hertfordshire County Council, one of the largest in our history. It covers the entire roading network managed by the Council – more than 5000km of roads, about the same as the length of state highways in the South Island. The long term contract is to develop, implement and manage the technical strategies and programmes for the highway network. The immediate addition of around 120 staff, with 30 more this year, has meant a substantial expansion of the business after a period of retrenchment and difficulty across the UK in recent years. We faced serious competition for this contract, and our global effort has really set a benchmark for what we can achieve as a team.

The rail industry is a key growth area for us in the UK. We're part of the largest improvement programme since the Victorian era, working on some high profile network upgrades. The acquisition of Opus Rail in Australia provides obvious synergies in this area, and again highlights the benefits of our global capabilities.

On that note, I would like to talk to you briefly about our Global Asset Management Team. Our asset management expertise provides a real point of difference for us. This team is targeting a growing worldwide asset management market, and has been instrumental in a number of our successes over the past year. In addition to the Hertfordshire County Council and Michigan Department of Transportation wins, we have just secured a contract with the World Bank, in association with Arup, to act as Monitoring Consultant for a Design / Build / Operate contract in Liberia. These contracts highlight our ability to pull together key experts from around the world, which is providing real impetus for growth and has helped build a strong platform for attracting high quality, high value global project partners. Developing this team was a key strategic business decision for us, and it is delivering real gains.

I mentioned earlier that last year, we invested in a range of business improvements, and took actions to better position the company for future growth and profitability. We made a series of capital investments, the largest of which was in our IT infrastructure and communication networks. We are already seeing significant efficiency gains as a result, including direct telecommunications cost savings and productivity improvements by switching to a wholly mobile smartphone network for our New Zealand business.

As part of our strategic plan, we undertook a staff culture survey across the company to provide a clear picture of what behaviours we needed to focus on to achieve our strategic objectives. The survey showed what employees believe they need to do to fit in and meet expectations. As a result, we have implemented plans to improve our performance culture, and to help drive desired behaviours, expectations and outcomes. This will help us achieve our strategic objectives and improve our long-term effectiveness.

We also intensified our focus on improving health and safety performance. Last year, we lost three days per 100,000 due to injury or accident. This was a substantial improvement on the previous year, and shows good progress in embedding health and safety as a core foundation value of our culture. The wellbeing of our staff is vital to our business, and has a significant impact on our business efficiency and overall performance. This will continue to be a key area for improvement going forward.

We also concluded our Joint Venture agreement with Opus International (M) Bhd targeting opportunities in the Middle East, and you will have received more detailed information about that with the Notice of Meeting.

In summary, as I said in my report, the word challenging is easily overused, but there really is no better word to describe the current market. We are already seeing that this year will generate even greater pressure on us to manage costs, drive efficiency and improve productivity. Some markets are seeing substantial growth while others, including local and central government markets here in New Zealand, are much tighter. As a result, we will adjust capacity to meet market demands as we have done in recent years.

We are diversifying our operations, taking advantage of new lines of business in existing markets, and utilising our global structure at every opportunity. In addition, acquisitions will continue to be a key focus for us to grow and diversify the company in the coming year, particularly in Australia and Canada.

While the road forward is not likely to be a smooth one, I am very confident in our ability to face the challenges ahead. We are a successful business generating good results. We have drive, energy and enthusiasm, a real focus on our strategic direction, and are committed to continuously improving the business for long-term growth and profitability. I'd like to thank you again for attending today and look forward to meeting you afterwards.