

20 February 2012

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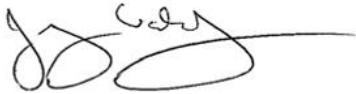
Via e-lodgements: Sequence #622

Dear Sir / Madam

**Letter to Shareholders**

Please see attached Letter to Coffey Shareholders for release to the market.

Yours faithfully



**Jennifer Waldegrave**  
Company Secretary

15 February 2012

Dear Coffey Shareholder,

Today we reported our financial results for the half year ended 31 December 2011 to the market, and announced changes to the membership of the Board effective 27 February 2012 as a continuation of our Board renewal program.

I am pleased to be able to report to you that, following the tough decisions of the past year, the half year results show the benefits of those decisions starting to flow through. Our markets remain positive and we expect the improved performance in our continuing operations to continue for the second half.

### **Half year results - 2012 financial year**

Coffey announced an EBITDA (earnings before interest, tax and depreciation and amortisation) of \$23.0 million and a net profit after tax of \$4.6 million for the half year ending 31 December 2011.

Following the successful completion of the capital raising announced last October, the net proceeds of \$37 million were used to repay debt. Net debt has been decreased from \$121.2 million at June 2011 to \$77.5 million at December 2011, representing a reduction in gearing from 50% to 32%.

After careful consideration, and with our focus on debt reduction, the Board considers it to be prudent not to declare an interim dividend. The Board will be considering the potential for a dividend with the full year results in August 2012.

Looking forward, we have confirmed that we expect to achieve an EBITDA of \$45 million for FY2012.

### **Board renewal update**

As foreshadowed at the Annual General Meeting last November, we have announced the appointments of Ms Leeanne Bond and Mr Guy Cowan as Non-executive Directors with effect from 27 February 2012, and the retirement at that date of Mr Charles Jamieson AM and Mr Stephen Williams. In addition, Mr Urs Meyerhans, currently Chief Financial Officer, has been appointed Finance Director effective 27 February 2012.

I am pleased that directors of the calibre of Leeanne and Guy have agreed to join the Board. They each bring broad industry knowledge and a wealth of experience, and their appointments complement the existing balance of expertise on the Board.

On behalf of the Board, I pay tribute to Stephen Williams and Charles Jamieson for their significant contributions and dedicated service to Coffey over many years. In particular, we appreciate Stephen's and Charles's agreement to extend their service until now in order to assist us in completing the implementation of the decisions of the strategic review and the capital raising.

I am also pleased to welcome Urs Meyerhans to the Board, who has provided strong leadership in reshaping Coffey's capital management and played a key role in implementation of its strategic review.

**More information**

Enclosed for your information is a copy of the company's ASX announcements which provide an overview of our performance over the half year and the Board renewal changes.

Following the announcement of Coffey's results to the market, John Douglas, Managing Director, and Urs Meyerhans, Chief Financial Officer, provided a briefing on the results to institutional investors and analysts. This presentation was webcast and is now available for viewing on the Coffey website ([www.coffey.com](http://www.coffey.com)). I encourage you to visit the Coffey website and view the webcast or download a copy of the presentation.

We appreciate your continued support.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Mulcahy', written in a cursive style.

**John Mulcahy**  
Chairman

**FOR IMMEDIATE RELEASE**

**ASX ANNOUNCEMENT**

15 February 2012

**COFFEY INTERNATIONAL ANNOUNCES HALF YEAR RESULTS – 31 December 2011**

Coffey International Limited (ASX:COF) (Coffey) today announced an earnings before interest, tax, depreciation and amortisation (EBITDA) of \$23 million for the half year ending 31 December 2011 and reconfirmed the FY2012 EBITDA guidance of \$45 million.

Managing Director John Douglas said: *“We have made some tough decisions in the past year. This result shows that the benefits of these decisions are starting to flow through. There are positive signs that a turnaround is well underway and that we are building a base for profitable growth.”*

**Highlights**

*Financial Performance*

- H1 FY2012 EBITDA of \$23.0 million.
- Increased EBITDA margins of 10.8%.
- Positive operating cash flow of \$10.8 million.
- Positive net profit after tax of \$4.6 million.
- Improved net asset position of \$164.3 million.
- Capital raising successfully completed and debt paid down with \$37.0 million net proceeds.
- Net debt decreased from \$121.2 million at June 2011 to \$77.5 million at December 2011.
- Gearing ratio reduced to 32%.
- No interim dividend declared for the period.

*Business Performance*

- Safety performance remains on track.
- The refocused organisation is performing well; overhead salaries are controlled, staff turnover is falling and a bottom up strategy process is underway to reinforce managerial ownership and accountability.
- The initial portfolio review has been completed with the sale of the Rail business for \$9.0m.
- Coffey is now focused on three key businesses.
  - Geosciences: Fee revenue increased 12% to \$132.4 million with improving pricing and efficiencies and exposure to good geographies and buoyant sectors.
  - International Development: Fee revenue of \$54.2 million was down from H1 FY2011 (\$67.5 million) but comparable with H2 FY2011 (\$54.8 million). Increased revenues from the Australian and UK operations partially offset reduced US revenues.
  - Projects: Fee revenue of \$19.3 million was down from H1 FY2011 (\$26.5 million) but broadly comparable with H2 FY2011 (\$20.4 million). The business has been refocused on Australia, New Zealand and Africa, with future upside exposure to the property cycle.

*Outlook*

- Reconfirming FY2012 EBITDA guidance of \$45 million.
- The Board will review the potential for a dividend with the FY2012 full year results.

*Board Renewal*

- Board renewal continues with the appointment and retirement of two Non-executive Directors and the appointment of one Executive Director.

All comparisons in this ASX Announcement are with the prior corresponding period First Half FY2011 unless otherwise indicated. Certain comparative segment data has been represented for consistency with the current reporting period. Reference to Underlying EBITDA is EBITDA before impairment and restructuring costs which is included for useful historic comparisons as significant restructuring and impairment costs were incurred in FY2011. In H1 FY2012 Underlying EBITDA is equivalent to EBITDA.

## Financial Performance

### Financial Performance: First Half Results Summary

	H1 FY2011 (\$m)	H2 FY2011 (\$m)	H1 FY2012 (\$m)	Change H1:H1 %
<b>Total Revenue</b>	<b>366.8</b>	<b>313.7</b>	<b>334.9</b>	<b>(9%)</b>
Fee Revenue	222.6	201.1	212.5	<b>(5%)</b>
Reimbursable revenue and other income	144.2	112.6	122.4	-
Underlying EBITDA	15.6	16.7	23.0	47%
One-off restructure costs	(5.3)	(3.8)	-	-
Asset Impairments	-	(62.9)	-	-
<b>EBITDA</b>	<b>10.3</b>	<b>(50.0)</b>	<b>23.0</b>	<b>123%</b>
Depreciation	(3.8)	(3.9)	(3.4)	-
Amortisation of intangibles	(1.4)	(1.2)	(1.0)	-
<b>Earnings Before Interest and Tax (EBIT)</b>	<b>5.1</b>	<b>(55.1)</b>	<b>18.6</b>	<b>262%</b>
Net interest expense	(7.3)	(8.2)	(9.4)	
<b>Profit/(Loss) before income tax and minority interests</b>	<b>(2.2)</b>	<b>(63.3)</b>	<b>9.2</b>	-
Income tax expense and minority interests	(2.5)	(1.8)	(4.6)	
<b>Net Profit After Tax attributable to members</b>	<b>(4.7)</b>	<b>(65.1)</b>	<b>4.6</b>	-
Basic EPS (cents per share)	(3.6)	(49.2)	2.8	
Diluted EPS (cents per share)	(3.6)	(49.2)	2.5	
Net cash flow from operations	4.6	(9.5)	10.8	-
Net cash flow from investing	(10.5)	(3.7)	(3.1)	
Net cash flow from financing	7.6	4.8	(0.3)	
<b>Net Debt</b>	<b>104.3</b>	<b>121.2</b>	<b>77.5</b>	
Gearing ratio (net debt: equity plus net debt)	36%	50%	32%	
<b>Net Assets</b>	<b>187.2</b>	<b>122.4</b>	<b>164.3</b>	

Although fee revenue of \$212.5 million was down 5% (2011: \$222.6 million) on the prior corresponding period, it was up 5.7% on H2 FY2011 fee revenue. Underlying EBITDA (EBITDA before impairment and restructure costs) increased 47% to \$23.0 million (2011: \$15.6 million). Continuing operations, which exclude the Rail business, contributed \$20.4 million to the EBITDA result of \$23.0 million for the half year.

Underlying EBITDA margin also increased to 10.8% (FY2011: 7.6%) for the half year.

Net interest expense increased to \$9.4 million, unfavourably impacted by non-cash, non-recurring accounting charges of \$1.6 million. The full benefit of the capital raising on net interest expense will be realised in H2 FY2012.

Tax expense of \$4.5 million for the half represents an effective tax rate of 48% which includes the impact of certain non-deductible expenses in the half. The tax rate is expected to fall in the second half.

NPAT of \$4.6 million compared to a loss of \$4.7 million in H1 FY2011.

No interim dividend has been declared for the period. The Board will review the potential for a dividend with the full year results in August 2012.

The increased profitability of the Company combined with tighter working capital management increased net cash inflow from operations to \$10.8 million.

The capital raising announced in October 2011 was successfully completed with \$40 million raised in new ordinary shares (approximately 105.2 million shares). The net proceeds from the capital raising were used to repay debt.

As a result of the capital raising and improved working capital management, net debt decreased to \$77.5 million from \$121.2 million as at 30 June 2011. The gearing ratio (net debt: equity plus net debt) was reduced to 32% from 50% at 30 June 2011 (36% as at 31 December 2010).

## **Business Performance**

Safety remains a key priority at Coffey. Coffey's Lost Time Injury Frequency rate (LTIFR) at the end of December 2011 was 1.56, down from 2.36 as at 31 December 2010.

Coffey's new organisational structure has continued to show benefits:

- Overheads have been well controlled. Non chargeable salaries have fallen from just under 25% of the total salary cost in December 2010 to just under 20% of total cost at the end of the current period. The Company continues to focus on managing overhead costs and staffing to maintain this trend.
- Employee turnover has fallen consistently since peaking in May 2011.

In the past year, managerial authority and accountability have been transferred back to Coffey's business units. Coffey's 48 Service Line Managers now manage an EBIT bottom line. Managerial bonuses are now linked to the performance of individual businesses, as are bonus pools for technical staff.

Consistent with the new management approach, Coffey has commenced a bottom up strategy process. Initial observations are that:

- Key markets, particularly in the Geosciences business, remain positive. Many of Coffey's businesses are constrained by organisational capacity, not by market demand;
- Further operational improvement is available and represents an avenue for low risk profit growth;
- Developing key technical and managerial staff is a high priority;
- Opportunities exist for organic growth within Coffey's existing geographic footprint; and
- Acquisition opportunities exist but are not management's immediate focus.

The sale of the Rail business for \$9.0m in February 2012 completes the implementation of the initial portfolio review announced in June 2011. Other review outcomes include:

- LA Environments was divested in June 2011;
- Coffey Commercial Advisory was closed in July 2011; and
- Coffey Projects' Middle East operations were closed in September 2011.

Portfolio review is an ongoing focus. The future of Specialist Training from Australia (STA) is under review in light of the prevailing strength of the Australian dollar. The business provides less than 10% of International Development's revenue and is not a high margin business.

With the sale of the Rail business, Coffey now comprises three key businesses: Geosciences, International Development and Project Management.

## Segment Results

	Fee Revenue					Underlying EBITDA				
	FY2011		FY2012	Change (%)		FY2011		FY2012	Change (%)	
	H1 (\$m)	H2 (\$m)	H1 (\$m)	H1:H1	H1:H2	H1 (\$m)	H2 (\$m)	H1 (\$m)	H1:H1	H1:H2
<b>Total</b>	<b>222.6</b>	<b>201.1</b>	<b>212.5</b>	<b>(5%)</b>	<b>6%</b>	<b>15.6</b>	<b>16.7</b>	<b>23.0</b>	<b>47%</b>	<b>38%</b>
Geosciences	117.9	117.0	132.4	12%	13%	8.2	14.5	16.3	99%	12%
International Development	67.5	54.8	54.2	(20%)	(1%)	10.4	5.0	8.0	(23%)	60%
Project Management	26.5	20.4	19.3	(27%)	(5%)	0.7	(0.6)	0.0	(100%)	(100%)
Other	10.7	8.9	6.6	(38%)	(26%)	(0.2)	1.3	2.4		
Corporate						(3.5)	(3.5)	(3.7)		

Geosciences fee revenue increased 12% to \$132.4 million from \$117.9 million in the prior corresponding period. The Geosciences business has been capacity restrained rather than market constrained, and Coffey expects the positive trend for revenue to continue.

A combination of improved pricing and better internal efficiencies are lifting the 'Fee to Wage' ratio (calculated before bonuses).

83% of Geosciences fee revenue was derived primarily from Australia and New Zealand in the Asia-Pacific region. Regional contribution was consistent with FY2011 full year results, reflecting stable growth in revenue across both the Asia-Pacific and international operations. The business continues to be favourably exposed to the infrastructure, mining, and oil and gas sectors with a positive outlook.

International Development's fee revenue of \$54.2 million was down from H1 FY2011 (\$67.5 million) but comparable with H2 FY2011 (\$54.8 million). Increased revenues from the Australian and UK operations have partially offset a reduction in US revenues.

Project's fee revenue of \$19.3 million was down from H1 FY2011 (\$26.5 million) but broadly comparable with H2 FY2011 (\$20.4 million). The business has been refocused on Australia, New Zealand and Africa, with future upside exposure to the property cycle.

### Outlook

Coffey has reconfirmed expectations for an FY2012 full year EBITDA of \$45 million.

Management expect reduced interest expense and a reduced effective tax rate in H2 FY2012 leading to improved NPAT.

The Board will review the potential for a dividend with the FY2012 full year results.

Mr Douglas concluded: "Coffey's three key businesses are well-positioned; our markets remain positive with the improved performance in our continuing operations expected to continue for the next half."

## **Board Renewal**

The Company today announced the appointment of two new Non-Executive Directors, Ms Leeanne Bond and Mr Guy Cowan, effective 27 February 2012. These appointments will fill the casual vacancies arising following the retirement of Mr Charles Jamieson AM and Mr Stephen Williams on that date. Coffey's Chief Financial Officer, Mr Urs Meyerhans, was also appointed as Finance Director effective 27 February 2012 as part of the ongoing Board renewal and succession planning program.

Further details are outlined in a separate ASX announcement dated 15 February 2012.

**-Ends -**

### Investor Briefing

Mr John Douglas, Managing Director, and Mr Urs Meyerhans, Chief Financial Officer, will hold an investor teleconference at 11.00am AEDT on Wednesday 15 February 2012.

To participate in this briefing, please contact Ivy Lam on +61 2 9287 2100. The video webcast of this briefing will also be available for viewing on Coffey's website ([www.coffey.com](http://www.coffey.com)).

### **For further information contact:**

#### **Investor contacts:**

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Further information in relation to the matters described in this announcement including important notices in relation to certain forward looking information in this document is set out in an investor presentation released today to the ASX by Coffey. The information in the Important Notice section of that presentation applies to this announcement as if set out in full in this announcement.

## **ABOUT COFFEY**

Coffey International Limited is a specialist professional services consultancy with expertise in geosciences, international development, and project management. Operating for more than 50 years, we are well known in our markets for deep technical skills and market-leading solutions to complex tasks.

Coffey's geosciences consultancy has worked on some of the world's most challenging projects. Our specialist technical knowledge and innovations have established Coffey as one of the leaders in geotechnical, environmental and mining engineering, as well as materials testing and analysis. Our engineering and strategic advisory services support clients in mining, oil and gas, infrastructure, construction, property and government through offices in Australia, New Zealand, the United Kingdom, Canada, South Africa, Ghana, Brazil and the United Arab Emirates.

Our trusted and experienced international development consulting business works alongside governments and agencies to strengthen local communities. We use our specialist expertise and local knowledge to deliver programs that build long-lasting local capacity and improve a range of social indicators. Our regional offices have strong affiliations with key governments and are based in Australia, the United States of America and the United Kingdom.

Our project management business manages delivery of complex property and infrastructure projects. We work in partnership with clients through the project lifecycle, providing counsel and support with project management and advisory services. We have offices throughout Australia and New Zealand, and South Africa.

At Coffey, our people are dedicated to sharing our clients' challenges – providing value by pushing the boundaries of technical excellence to achieve extraordinary outcomes.

For more information visit [coffey.com](http://coffey.com)

## **ASX ANNOUNCEMENT**

15 February 2012

### **Coffey International Continues Board Renewal - Appointment and Retirement of Directors**

**Coffey International Limited ((ASX:COF) (“Coffey”)) today announced the appointments of Ms Leeanne Bond and Mr Guy Cowan as Non-executive Directors with effect from 27 February 2012, and the planned retirement at that date of Mr Charles Jamieson AM and Mr Stephen Williams.**

**Coffey also announced today that Mr Urs Meyerhans, currently Chief Financial Officer, has been appointed Finance Director effective 27 February 2012.**

Welcoming Ms Bond and Mr Cowan, Coffey Chairman, Dr John Mulcahy, said: “These changes were foreshadowed at the Annual General Meeting last November when I advised that the Board was committed to further renewal of its membership this financial year.

“I am extremely pleased that directors of the calibre of Leeanne and Guy have agreed to join the Board. They each bring broad industry knowledge and a wealth of experience, and their appointments complement the existing balance of expertise on the Board.

“We also welcome Urs Meyerhans to the Board. Since joining Coffey in 2009, Urs has provided strong leadership in reshaping Coffey’s capital management and has played a key role in implementation of its strategic review as a member of the senior executive team.

“On behalf of my Board colleagues, I pay tribute to Stephen Williams and Charles Jamieson for their significant contributions and dedicated service to Coffey over many years,” Dr Mulcahy said.

“During their tenure, Coffey has grown from a relatively small Australian-based company into an international specialist professional services consultancy operating on some of the world’s most challenging projects. It’s been a time of remarkable change.

“Their fellow directors very much appreciate Stephen’s and Charles’s agreement to extend their service until now in order to assist us in completing the implementation of the decisions of the strategic review and the capital raising,” Dr Mulcahy said.

#### **Non-executive Director Appointments**

##### **Guy Cowan**

Mr Cowan has had 9 years experience as a chartered accountant with Price Waterhouse (now PricewaterhouseCoopers) and KPMG, in addition to 23 years international experience in commercial and finance roles in the oil and gas industry.

Prior to February 2005 he spent 23 years working for energy group Shell in international finance and strategy roles, most recently as Chief Financial Officer (CFO) of Shell Petroleum Inc and Shell Oil Company in the United States, of which he was also a director.

From February 2005 until February 2009, Mr Cowan was CFO of Fonterra Co-operative Group Limited, the New Zealand-based world leading exporter of dairy products that accounts for more than one third of the international dairy trade. This role included responsibility for Fonterra's strategy and growth and investments in Latin America.

Mr Cowan holds a Bachelor of Engineering and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr Cowan is a Non-executive Director of Ludowici Ltd, UGL Limited, Queensland Sugar Limited and Gold Oil PLC (UK) and, Chairman of the Advisory Board of Beak and Johnston Limited.

Mr Cowan said: "I am pleased to be joining a business with the potential of Coffey and am confident that my background and experience will be a good fit with the Company at this stage of its development and the market conditions and opportunities that lie before us."

Mr Cowan will chair Coffey's Risk Management Committee and join Coffey's Audit Committee effective 27 February 2012.

### **Leeanne Bond**

Ms Bond is a chemical engineer with over 20 years experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources. She has extensive experience in business management, projects, design and proposals for a number of international engineering and project management organisations. She also consults to industry through her company Breakthrough Energy Pty Ltd.

From 1996 to 2006 Ms Bond held a number of roles with Worley Parsons in Queensland including General Manager Hydrocarbons and Development Manager (Qld), where she negotiated project alliances and supervised contracts and projects with many Australian and international companies.

Ms Bond holds a Bachelor of Engineering in Chemical Engineering and a Masters of Business Administration. She is a Fellow of the Institution of Engineers Australia and a Graduate Member of the Australian Institute of Company Directors.

Ms Bond is a Non-executive Director of Liquefied Natural Gas Ltd and Australian Water Recycling Centre of Excellence Ltd, and a Board member of the Queensland Bulk Water Supply Authority (Seqwater).

Ms Bond is a former Non-executive Director of Tarong Energy Corporation and has previously served as Chairperson of the Brisbane Water Advisory Board for the Brisbane City Council, Deputy Chairperson of the Board of Professional Engineers in Queensland and is a former President of Engineers Australia (Queensland Division).

Ms Bond said she was looking forward to her involvement with Coffey.

"It is a privilege to have been asked to join the Coffey Board," she said. "I look forward to contributing my business experiences and working with the Board as we pursue further benefits from the strategic review initiatives that were implemented during 2011."

Ms Bond will join Coffey's Remuneration Committee effective 27 February 2012.

### **Non-executive Director Retirements**

#### **Stephen Williams**

Stephen Williams has announced his retirement from the Board of Coffey effective 27 February 2012, after 17 years as a Non-executive Director, 16 years of which he served as Chairman, overseeing and driving much of its international expansion.

Mr Williams is chair of the Risk Management Committee, a member of the Nomination Committee and former member of the Remuneration Committee and Audit Committee.

Mr Williams said: "As a long serving Director, I have a great passion for this Company and its reputation internationally, the professionalism of its people and the quality of its advice and work for its clients.

"I believe the Company is in excellent hands in terms of depth and breadth of expertise at both Board and senior management level as it embarks on its refocused business strategy and wish the Board and management continued success in its implementation."

### **Charles Jamieson**

Charles Jamieson AM, a member of the Company's Audit Committee, has also announced his retirement from the Board of Coffey after almost 7 years as a Non-executive Director effective 27 February 2012.

"It has been an honour and a privilege to serve on the Coffey Board," Mr Jamieson said.

"We have had to take some tough decisions to restructure and refocus the Company over the last year or so and I wish the Board and management all the very best in their future endeavours as Coffey returns to growth."

### **Executive Director Appointment**

#### **Urs Meyerhans**

Mr Meyerhans joined Coffey as Chief Financial Officer in early 2009. He has a strong track record as chief financial officer with several listed companies and nearly 30 years experience in finance management.

Mr Meyerhans was previously Chief Financial Officer and, subsequently, Finance Director of Wattyl Limited from 2002 until his appointment to Coffey. Prior to his role with Wattyl, he had been Chief Financial Officer of United Group Limited, Group Financial Controller of WMC Resources Limited, and Chief Financial Officer of Swiss Aluminium Australia Limited.

Mr Meyerhans attended AKAD University in Zurich, Switzerland, achieving a CA (CH) Federal (Swiss) Diploma in Accounting & Controlling. He is a certified accountant and has completed an executive program at Stanford University. He is a member of the Finance Executive Institute of Australia and the Australian Institute of Company Directors.

Commenting on his appointment, Mr Meyerhans said: "I am honoured to be offered the opportunity to join the Coffey Board at this time. A lot has been achieved over these last 12 months and I am looking forward to working with my fellow directors and senior management colleagues on the continued improvement of Coffey's performance."

**-ends-**

#### **Investor contact:**

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