SEDGMAN

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**Sedgman delivers solid half year result and anticipates strong growth rebound**

**Key Points**

- H1 FY2010 EPS (adjusted)[1] 5.7 cents as advised in recent update
- Fully franked interim dividend of 3 cents a share – Dividend Reinvestment Plan reinstated
- Proven business model generated solid cash flows despite tough conditions
- Positive outlook underpinned by growing $5.5 billion project pipeline, replenished $560 million order book and a record number of preliminary studies underway
- Personnel headcount up 7% to 694 to meet increased demand
- FY2010 EPS (adjusted)[1] guidance reduced by up to 10% from 15 cents previously as advised in recent update.

1 Excludes Amortisation of intangible assets

Leading resource sector services company Sedgman Limited (ASX:SDM) today reported a 26.7 per cent fall in interim Earnings Before Interest, Tax and Amortisation (EBITA) to $15.4 million, but expects a strong growth rebound as the global economic recovery gains pace.

As advised in the Company's recent Operational and Guidance Update, December half EPS was down 27.8 percent from 7.9 cents to 5.7 cents, excluding amortisation and write-downs of intangible assets. The result includes a research and development tax benefit of $1 million.

The Directors have declared a steady interim fully franked dividend of 3 cents a share on the Company's expanded capital base, payable on 31 March, 2010 to shareholders registered on 16 March 2010 and reinstated the Dividend Reinvestment Plan.

The result was achieved on combined revenue of $145.8 million - down 18.1 percent from $178.1 million previously, due mainly to the run off of the Lake Vermont, Daunia, Moatize and Sonoma projects and cessation of operations support contracts at Lake Lindsay and Dawson.

Bottom line net profit of $10.2 million compared to a loss of $7.1 million in the previous corresponding period which included a $20 million goodwill write down. However, on an adjusted basis net profit fell 20.8 per cent from $14.4 million to $11.4 million

Managing Director Mark Read described the result as a solid and credible performance which had demonstrated the resilience of Sedgman's business model in tough economic conditions.

"Sedgman generated strong operating cash flows during the half year and has continued to secure new contracts based on its reputation for being the world leader in coal-processing and materials-handling technologies," he said.

During the half year Sedgman completed the $80 million Daunia design and procurement project on time and on budget and secured the $75 million ATCOM upgrade contract in South Africa and $13 million long lead item contract for the Benga coal project in Mozambique.

Mr Read said Sedgman's positive long term outlook was underpinned by an increasing pipeline of potential revenue from targeted projects which had grown by $740 million to $5.5 billion, including $1.2 billion from 27 projects expected to proceed within a year.

“Importantly we continued to replenish our order book which was up $30 million to $560 million at the end of the half and identified a further $177 million worth of contracts with a high probability of being added to the order book before the end of the financial year,” he said.

“Sedgman is also now working on a record number of coal studies and increased personnel headcount accordingly by 7 per cent to almost 700 during the period.”

Mr Read said the integration and rebranding of Intermet and Pac-Rim under the Sedgman banner was completed during the half year and an upturn in demand for engineering services from the metalliferous sector was also expected as the global economic recovery continued.

The percentage contribution toward EBITA from the Operations business unit during the half year was 44 per cent, up from 42 per cent in the previous half year, but down from 52 per cent at June 30, 2009 due to the settlement of the Handlebar Hill contract in FY2009.

Sedgman is processing more than 19 million tonnes per annum (mtpa) of coal and 10 mtpa of ore under operations contracts which provide longer term, recurring income and diversification of business risk. The Company continues to pursue numerous operating opportunities identified in its three year pipeline of targeted projects.

Key figures are presented below:

| **($million)** | **Half year ending 31-Dec-09** | **Half year ending 31-Dec-08** | **Var** |
|---|---|---|---|
| Combined Revenue[1] | 145.8 | 178.1 | (18.1%) |
| EBITA | 15.4 | 21.0 | (26.7%) |
| EBITA % Margin | 10.6% | 11.8% | n/a |
| NPAT (adjusted)[2] | 11.4 | 14.4 | (20.8%) |
| NPAT (reported) | 10.2 | (7.1) | 243.7% |
| EPS (adjusted)[2] (cps) | 5.7 | 7.9 | (27.8%) |
| DPS (cps) | 3.0 | 3.0 | - |

Notes
1. This represents revenue of Sedgman together with Sedgman’s share of revenues from Joint Ventures.
2. Excludes amortisation of intangible assets and $20m write-down of goodwill at 31 December 2008.

## Gearing levels

At the end of the half year, gross debt stood at approximately $50 million with net cash of $4 million after taking into account existing cash reserves of $54.2 million which were buoyed by proceeds from the capital raising in August 2009.

Interest cover (EBITA divided by net interest expense) at the half year remained robust at approximately 19 times.

## Dividend Reinvestment Plan

The Board has resolved to reinstate the Dividend Reinvestment Plan (DRP) with effect from 22 February 2010. Further information regarding the DRP will be sent to all shareholders.

Shares issued through the DRP are fully paid and rank equally with existing fully paid ordinary shares. The last date for receipt of election notices for participation in the DRP is 16 March 2010.

Updated FY2010 Guidance

As advised in the recent trading update, the forecast FY2010 earnings result was predicated on the timely commencement of two Coal Handling and Preparation Plant (CHPP) projects and significantly weighted to the second half of the financial year.

Later than expected commitments on the balance of the project delivery contracts for one CHPP project are now likely to result in some slippage of profits into the next financial year.

This timing slippage is expected to result in a decrease in FY2010 earnings estimates of up to 10 percent compared to Sedgman's previous guidance of 15 cents per share, excluding amortisation of intangible assets.

Outlook

Mr Read said Sedgman's outlook remained extremely positive, particularly for FY2011 and beyond as global business conditions improved.

"The recovery of the global economy has begun, led by China, India and other emerging economies in Asia and this is expected to lead to an increase in demand for steel and therefore steel-making raw materials," Mr Read said.

"Australia's thermal coal exports are also forecast to increase, mainly to Asian markets, underpinned by higher production and new export infrastructure capacity."

Mr Read said Sedgman's pipeline of project opportunities continued to grow and the Company was once again undertaking a record number of studies.

"We expect to continue to grow our order book and capitalise on the increasing number of project opportunities both in Australia and overseas," he said.

**About Sedgman**

**Sedgman Limited** (ASX: SDM) was established in 1979 and is a leading provider of mineral processing and associated infrastructure solutions to the global resources industry. Specialising in the design, construction and operation of coal handling and preparation plants (CHPPs), Sedgman is recognised internationally for its coal processing and materials handling technologies.

Sedgman listed on the ASX in June 2006. The Company services the global coal and metalliferous markets by offering unique Engineering and Operations capabilities. Head office is in Brisbane with international offices established in Beijing, Santiago and Johannesburg targeting the growth regions of China/Mongolia, South America and southern Africa. The company has around 700 personnel and a market capitalisation of approximately $290 million.

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