



## Chairman's Address

### Sedgman Annual General Meeting 20 November 2007

#### **FY2007 HIGHLIGHTS**

Sedgman has achieved some remarkable results since our ASX listing in June 2006.

These achievements are in the main due to a clearly articulated and well executed strategy of growth within our mainstay coal business. In addition, Sedgman's acquisitions of Pac-Rim and Intermet Engineering have opened up new opportunities in the broader resources sector.

Sedgman's staff are our key asset. During the past year we have more than doubled our staff numbers to 590, through both organic growth and acquisitions.

I am especially proud of the achievements of Sedgman's graduate program.

Having the right people in place has given us the confidence to grow our business and has allowed us to achieve record results.

For the year to June 30, Sedgman posted record combined revenue of over \$371 million, up 57% on the previous year.

Our record net profit after tax of \$20.9 million was up 60 per cent on fiscal 2006, reflecting strong contributions from the Lake Lindsay, Acland, Sonoma and Millennium projects and seven months' contribution from Pac-Rim.

Earnings before interest, tax and amortisation of intangibles is now showing an impressive compound annual growth rate of 87 per cent over the last 3 years.

Earnings per share grew by 34 per cent to 12.3 cents per share. Shareholders have seen the benefits of this growth with a total dividend declared for the full year of 7 cents per share, fully franked. I am pleased to announce that the Board has approved the implementation of a dividend reinvestment plan which will commence with the fiscal 2008 interim dividend in the first quarter of next year.

Our performance has been recognised by the investment community, with our market capitalisation growing to \$547 million as of June 30. We now have over 2,500 shareholders, with a growing institutional presence.

There is strong market support for Sedgman and I am confident that management initiatives in our historical business, expansion into the metals sector and international growth will result in continued growth for the company.

#### **NEW STRUCTURE**

Sedgman's expansion into the metals sector has given rise to a new corporate structure.

Our new structure comprises two core divisions of Sedgman Coal and Sedgman Metals, both encompassing the business units of Engineering Services and Operations.

Sedgman Metals is based in Perth, home to our recently acquired minerals process engineering and project management company, Intermet Engineering.

The Intermet acquisition has complemented our December 2006 purchase of ore crushing and screening services provider, Pac-Rim.

These two strategic moves are aimed at leveraging Sedgman's international reputation into the metalliferous sector. The board has worked closely with management to identify and evaluate opportunities for further acquisitions, and we will continue to pursue this successful strategy.



## SUSTAINABLE GROWTH

Sedgman has won a reputation for quality in all we do, as indicated in this quote from the *Australian Financial Review*.

*"They used to say you never got fired for choosing IBM. That may no longer apply in computing, but in the world of coal-wash plants it appears the maxim is true of Sedgman."*

With over 25 years experience in the coal sector, Sedgman has proven itself to be a trustworthy and reliable service provider.

Sedgman's exemplary execution of projects under extremely difficult market conditions, has been backed by our technical innovation and disciplined commissioning. The number of contracts we have been awarded by direct negotiation without a tender process is indicative of our excellent client relationships.

## STRATEGIES FOR GROWTH

Sedgman Coal has a very healthy pipeline of domestic projects. Our diversification into the broader resources sector provides a wide range of alternative opportunities where Sedgman can readily re-deploy its engineering and project delivery skills allowing us to maintain our advantage.

Overlaying this are our positive initiatives to expand our businesses beyond Australia and capitalise on Sedgman's global expansion strategies.

I have recently returned from China where Sedgman will re-establish operations during 2008 following the termination of the previous licence agreement. The opportunities in China are large and very real, with significant demand for innovative leading edge coal preparation technology. The Sedgman name is well known and respected in China and I am confident that we can provide this market with the necessary solutions.

The recently announced Moatize project for CVRD in Mozambique brings a new international client as well as a major landmark project on the African continent. I am confident this opportunity will form the basis for ongoing business in both the coal and metals sectors in that region.

Sedgman's office in Santiago Chile continues to deliver excellent service to our existing projects and we look forward to growing this business to service the huge metalliferous mining sector in South America. To expedite this initiative, the company has recently appointed Mr Andy Davidson to the role of General Manager, International Development, who will spearhead growth in the area.

## HEALTH, SAFETY & ENVIRONMENT (HSE)

Sustainable growth requires sustainable business practices especially in health, safety and environment.

In October 2006, Sedgman undertook a wholesale review of our HSE policy, restating our commitment to the principle that all workplace injuries and illnesses are preventable.

As examples of this commitment, in the past year Sedgman Coal Operations rolled out its Safety Leadership Program, while Pac-Rim managers undertook a front-line safety leadership workshop.

## INNOVATION

Sedgman continues its research and development work into optimising process efficiency, throughput and economies. We are strongly committed to addressing community concerns associated with coal production and the environment.

As service providers we must actively participate in the climate change debate and seek to be part of the solution.

We are focussing our efforts on developing new technology for improved environmental performance in both processing and utilisation.

Sedgman's innovation is a competitive strength and a real benefit for the community, and we aim to further increase our efforts in this area.



How do these initiatives benefit shareholders?

By being innovative, we improve margins and strengthen our competitive position.

By being flexible in delivery, we can control risk and maximise opportunities.

By diversifying and expanding our range of services we build a strong platform for sustainable growth and shareholder value.

By providing a safe and supportive work environment we attract and retain the best possible people and future business leaders.

## CONCLUSION

Summing up, your company is extremely well positioned for growth in the year ahead.

Strong global economic growth is forecast and with the industrialisation of emerging economies such as China and India, continued growth is expected in both the coal and metalliferous sectors.

With record revenue and profits and a record order book, I am confident of another excellent result for shareholders in the year to June 2008.

Before I hand over to Mr Peter Hay, our managing director for his operations report, it is with some mixed emotions that I announce that Peter has advised the board that he does not intend to renew his contract of employment with the company upon expiry of its current term on 1 September 2008.

Peter has served the company with exemplary leadership and vision over the past 9 years and has guided it through a period of exceptional growth. Peter has been the primary architect of the company's consistent growth and our successful listing in 2006.

The board supports Peter in his decision and we have already commenced a recruitment process to identify his replacement. Peter has given us an undertaking that the timing of his retirement will be coordinated with the recruitment process and has offered to extend his tenure beyond September 2008, should that be necessary to facilitate a smooth handover.

Although there is never a perfect time for change in such an important position, the board is confident that given the timeframe available a suitable candidate will be identified.

Peter's retirement will provide the company with the opportunity to identify the skills and experience required to fill what is a new and exciting role. The board is seeking to capitalise on the excellent foundation provided by Peter and his predecessors. The new CEO will be the fifth generation and like all four before, we are confident will provide a positive step change in the company's corporate profile, opportunities and growth.

As we may not have another chance in this forum, I would like you to join me in thanking Peter for his passionate dedication to your company.