



## WDS 2008 Interim Results

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Graeme Williams – Chief Financial Officer

# Disclaimer

*The material in this presentation comprises general background information about the Company's activities current at the date of the presentation, 27 February 2008, and a summary of the audited results for the 6 months ending 31 December 2007. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.*



# Agenda

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- H1 FY08 Highlights
  - Financial Results Half Year to 31 December 2007\*
  - Operations
  - Growth strategy and outlook

\* All pcp comparisons refer to the 6 month period to 31 December 2006.

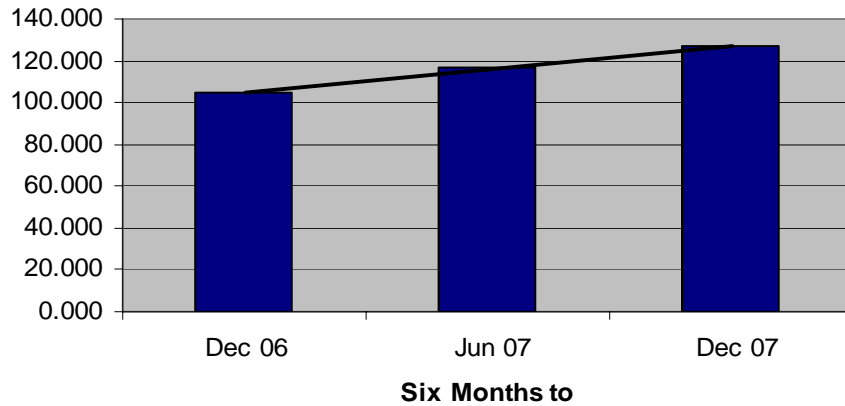
# Financial Highlights for H1 FY08



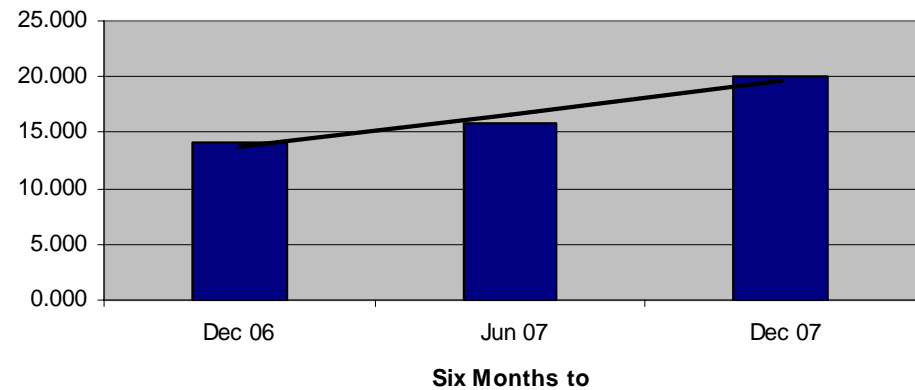
- Group revenue of \$130.7 million – increase of 25.1% on pcp
- EBITDA of \$20.0 million – increase of 41.9% on pcp
- NPAT of \$7.5 million – increase of 31.6% on pcp
- Interim fully franked dividend of 3 cents per share
- \$309 million of work in hand at end December
- Group outlook remains strong

# Financial Trends

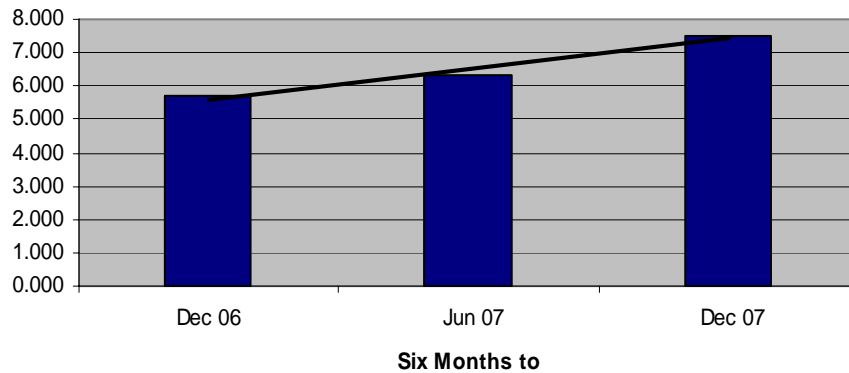
### Sales \$ millions



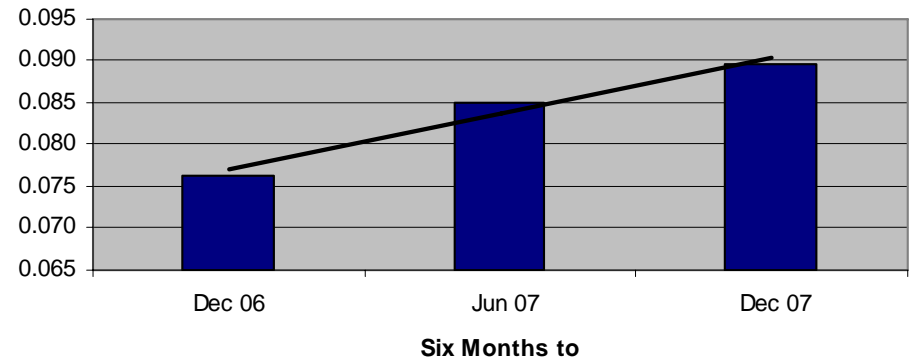
### EBITDA \$ millions



### NPAT \$ millions



### Basic EPS cents



# Operational Highlights for H1 FY08



- **Buoyant conditions in pipeline and tunnelling industry drove strong performance in DCC/MacCormick (MCT)**
  - Coal seam methane opportunities continue to grow
  - The \$35 million Jackson to Moomba pipeline project commenced in November – Wilson River crossing (40km) completed pre-Christmas
  - Pimpama Project on Gold Coast (MCT Acquisition) on schedule
  - Identified further opportunities in Australia for micro-tunnelling
- **DCC/MCT establishing business with local UAE based construction company**
- **Easing of difficult operating conditions for Walter Mining**
  - Port constraints impacted in first half but opportunities emerging as these begin to ease
  - Strong coal price rises to drive further opportunities as port constraints ease
- **Storm Effects in Queensland**
  - Apart from minor nuisance value, little effect on our operations
  - Wilson River Crossing early completion has meant that Jackson to Moomba pipeline keeps being built



# Financial Results

# Financial Performance

## H1 FY08



A\$ Million	PCP H1 FY07	H1 FY08 Actual	% Change from PCP
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<b>Revenue</b>	<b>104.5</b>	<b>130.7</b>	<b>25.1%</b>
DCC*	52.5	74.0	41.0%
WM	52	56.7	7.9%
<b>EBITDA</b>	<b>14.1</b>	<b>20.0</b>	<b>41.9%</b>
DCC*	6.9	13.3	92.8%
WM	7.2	6.7	<7.7%>
NPAT	5.7**	7.5	31.6%
<b>Basic EPS (cents) (Annualised)</b>	<b>14.48</b>	<b>17.88</b>	<b>23.4%</b>

### Cap-Ex

H1 FY08	FY07
\$10.7M	\$27.7M

\* Includes impact of MCT acquisition for 4 months, Revenue \$13.2 million, EBITDA \$2.7 million

\*\*Re-stated for tax effect on significant items

- Group revenue of \$130.7 million (25.1% ahead of pcp)
- EBITDA margin of group at 15.3% above target range, (up from 13.5% on pcp)
  - DCC above pcp (MCT consistent with historical)
  - WM below pcp
- Underlying businesses performing well with stronger second half anticipated
- Maintenance Capex higher than growth Capex during this consolidation phase
- Interim dividend of 3 cents per share (fully franked) to be paid on 26 March 2008
- Operating cash flow \$12.4 million

# Balance Sheet: H1 FY08



Assets	A\$ million		
	As at 31/12/07	As at 30/6/07	% Change
Cash	3.4	8.8	
Receivables	48.6	35.9	
Inventories	1.2	0.6	
Other	1.2	0.7	
<b>Total Current Assets</b>	<b>54.4</b>	<b>46.0</b>	
Property, plant and equipment	66.5	53.7	
Deferred tax assets	7.0	3.7	
Intangibles	34.6	5.1	
Other	0.2	0.0	
<b>Total Non-Current Assets</b>	<b>108.3</b>	<b>62.5</b>	
<b>Total Assets</b>	<b>162.7</b>	<b>108.5</b>	<b>50%</b>

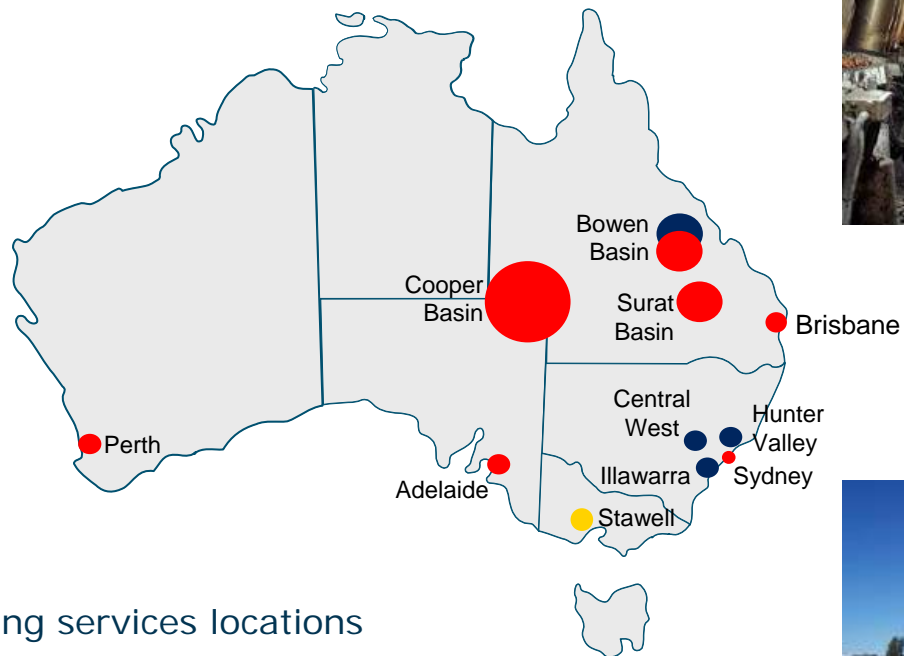
Liabilities and Equity	A\$ million		
	As at 31/12/07	As at 30/6/07	% Change
Payables	24.7	12.3	
Borrowings	21.3	25.6	
Income tax liability	1.2	-	
Provisions	10.9	9.6	
<b>Total Current Liabilities</b>	<b>58.1</b>	<b>47.5</b>	
Borrowings	21.1	23.2	
Deferred tax liabilities	1.9	1.7	
Provisions	1.0	1.2	
<b>Total Non-Current Liabilities</b>	<b>24.0</b>	<b>26.1</b>	
<b>Total Liabilities</b>	<b>82.1</b>	<b>73.6</b>	<b>11.5%</b>
Share capital	60.0	18.1	
Retained earnings	19.6	15.8	
Other reserves	1.0	1.0	
<b>Total Equity</b>	<b>80.6</b>	<b>34.9</b>	<b>130.9%</b>

- Gearing (net debt divided by net debt plus equity) at 33%
- Headroom available in \$95 million GE facility – 3 year facility initiated August 07
- Interest cover 4.75 times (EBIT/INT)



# Operations

# Where we operate in Australia



- Underground coal mining services locations
- Pipeline construction services locations
- Metalliferous mining service locations



# Operational Highlights H1 FY08



## **Diversified Construction Corporation & MacCormick Civil and Tunnelling – strong industry conditions**

- DCC revenue of \$74.0 million was up 41% on pcp including MCT contribution
- DCC EBITDA margins of 18.0% (13.1% pcp) including MCT contribution
- Expanded operations in Queensland coal seam methane – growth continues to be strong and is predicted to be stronger across this area
- Established water & waste water expertise – GAWB alliance project (\$250 million)
- Commenced Jackson to Moomba pipeline - \$35 million project
- Integration of MCT continuing
- Outlook in Australia and UAE is promising

## **Walter Mining – easing of difficult industry conditions**

- Revenue of \$56.7 million was up 9.0% on pcp
- EBITDA margins of 11.8% (13.8% pcp)
- WM's technical consulting service growing in services offered
- Feasibility studies for third parties conducted in India and Australia
- Expanded engineering support services through Walter Engineering particularly in electrical, conveyor maintenance & plant maintenance both above ground and underground
- Improving second half expected with high plant utilisation aided by new NRE contract
- All continuous miners working – plant recovery will have positive impact H2 08
- Marked increase in opportunities as port constraints ease

# Developments since 31 Dec 07

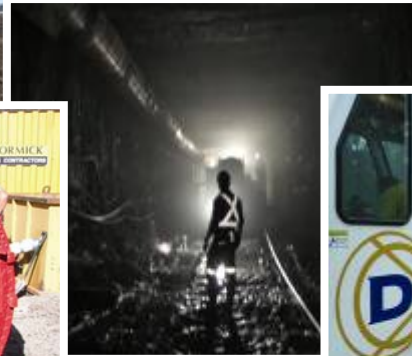


- Early Contractor Involvement has been signed for \$340 million Gladstone Area Water Board project in Queensland of which \$250 million will be construction costs. This project was awarded to a JV of Clough, DCC and United, who are equal partners.
  - Full design team in place in Brisbane
  
- Agreement to acquire Ackroyd Engineering Services – greater penetration into CSM market now available, likely to occur Feb 08
  
- No real effect of strong wet season in Queensland on either WM or DCC
  
- Key senior appointments into DCC and MCT have further enhanced management capacity

# Developments since 31 Dec 07



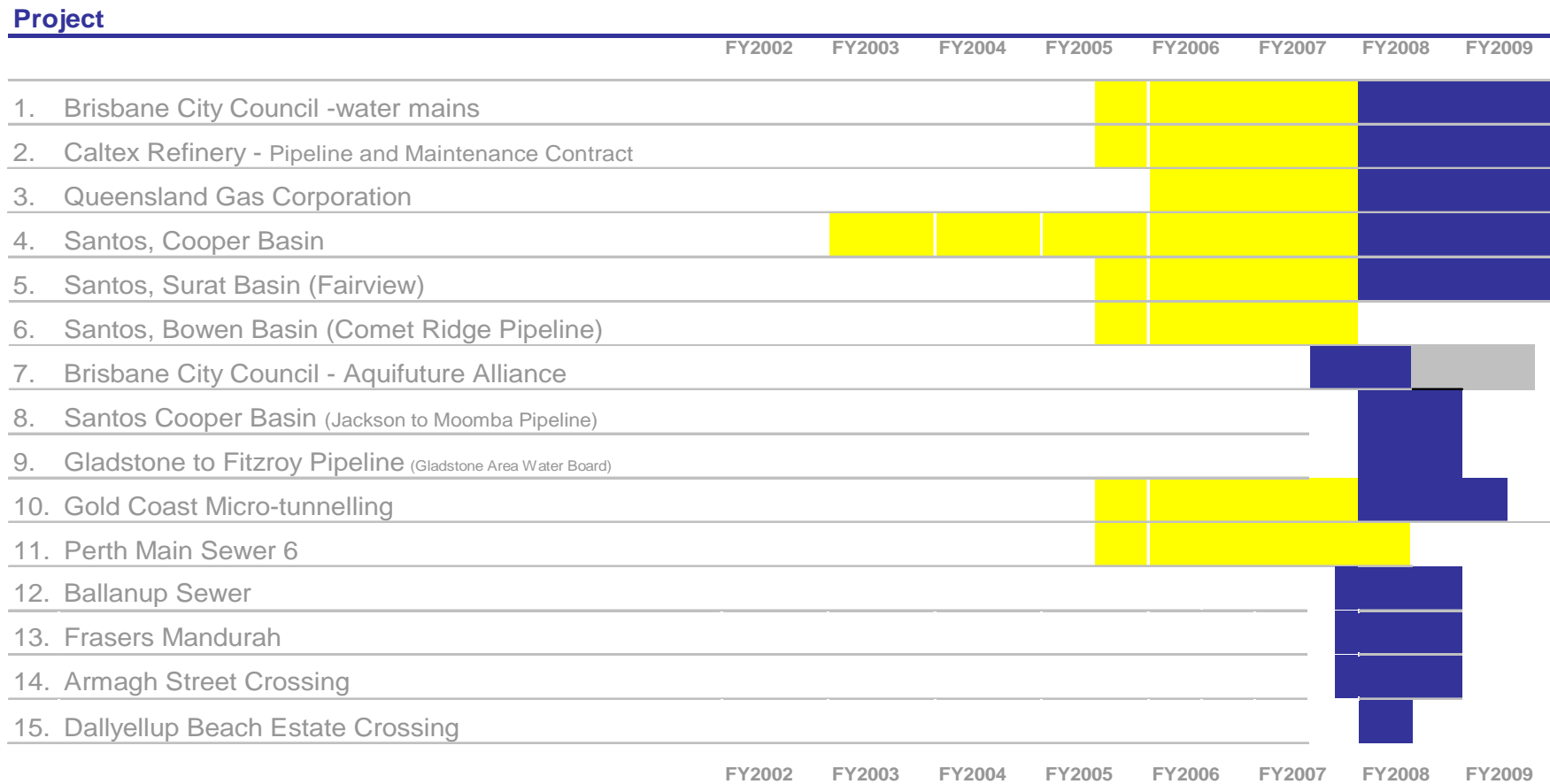
- NRE contract for new underground mine development in Illawarra region signed
- Negotiations with Coal India are reaching advanced stage – contract (if awarded) will be a JV between Joy Mining and WM
- All continuous miners now in use – higher plant utilisation across the board will have strong impact for Walter Mining in second half
- DCC/MCT-Limited Liability Company being formed with local partner Al Nasr – well respected UAE construction group. Opportunities in:
  - Micro-tunnelling and
  - Oil and Gas gathering systems and pipelines
  - Local infrastructure *but* :
  - First income FY2009



# Current Projects & Summary for Operating Entities

# DCC / MCT

## Current Projects



■ Previous services provided    
 ■ Contracted    
 ■ On site and providing services

- Acceleration of Santos Cooper Basin oil program, Jackson to Moomba pipeline project started Nov 2007
- Strong organic growth across all major projects
- Infrastructure construction and replacement opportunities Australia wide – all capital cities have long term plans for augmenting /replacing main sewer lines
- Growth aspects in Australia and the Middle East are promising

## Oil and Gas

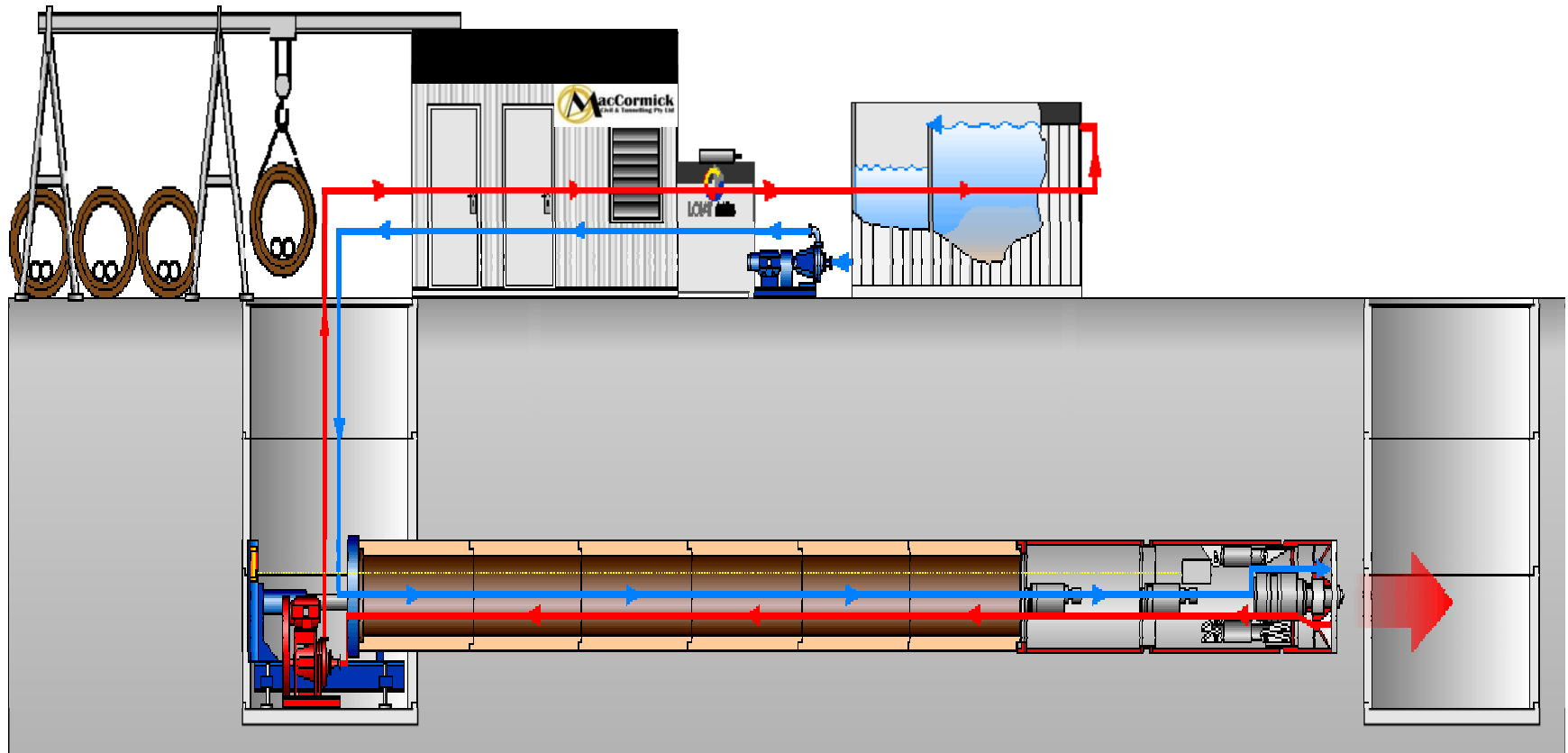
- Pipeline of opportunities in all states very strong in both oil and gas
- Combined DCC/MCT office opened in Perth – new manager situated in Perth appointed
- Coal seam methane opportunities at both Fairview (for Santos) and Berwyndale (for Queensland Gas Corporation) to provide strong organic growth
- Opportunities for early works in carbon capture and storage in particular early experimental projects

## Water and Waste Water

- Water and waste water opportunities in all capital cities and in many regional centres e.g. Fitzroy River Pipeline Project for GAWB early contractor involvement
- Re-cycled water network pipelines will provide many opportunities over the next few years
- Pipeline opportunities associated with desalination plants in most states



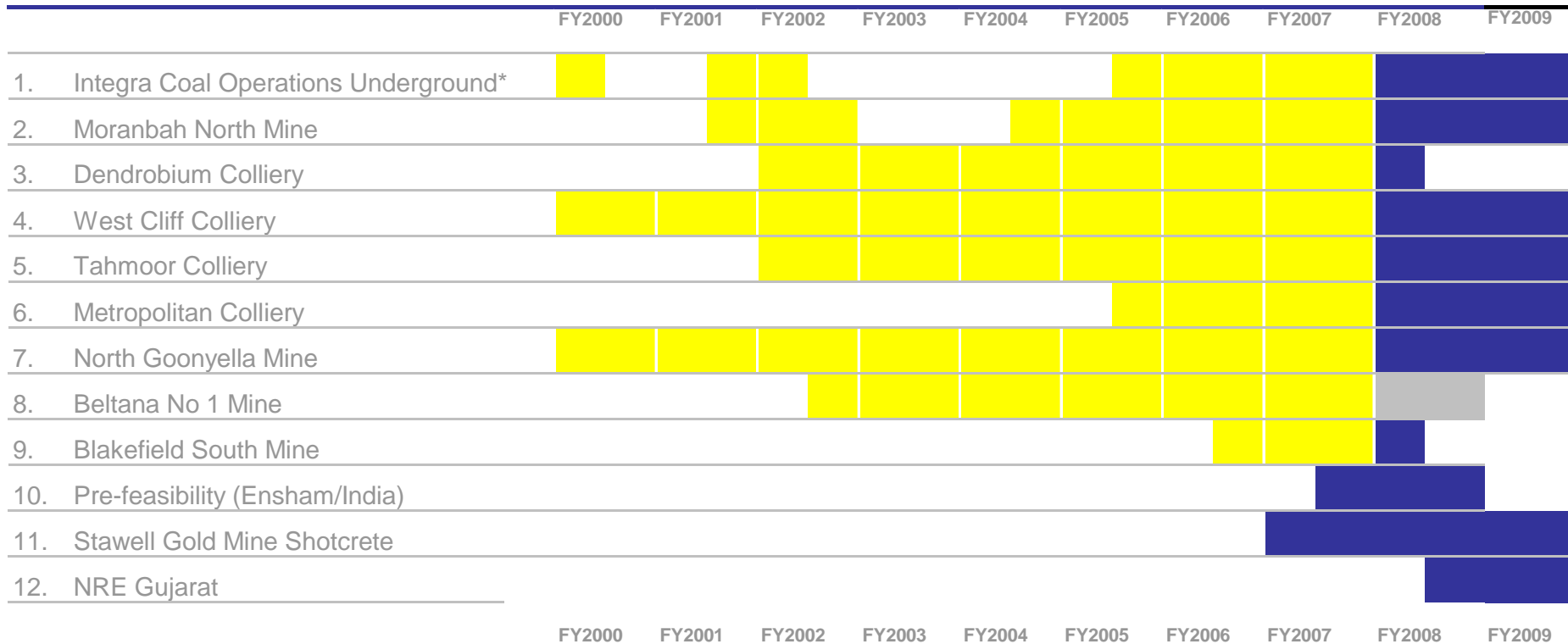
# Micro-Tunnelling Operations



# Walter Mining Current Projects



## Mine



\* formerly Glennies Creek Colliery

■ Previous services provided    
 ■ Contracted    
 ■ On site and providing services

- NRE Gujarat Project commenced
- Increasing opportunities as port constraints ease

# Walter Mining Operational Summary



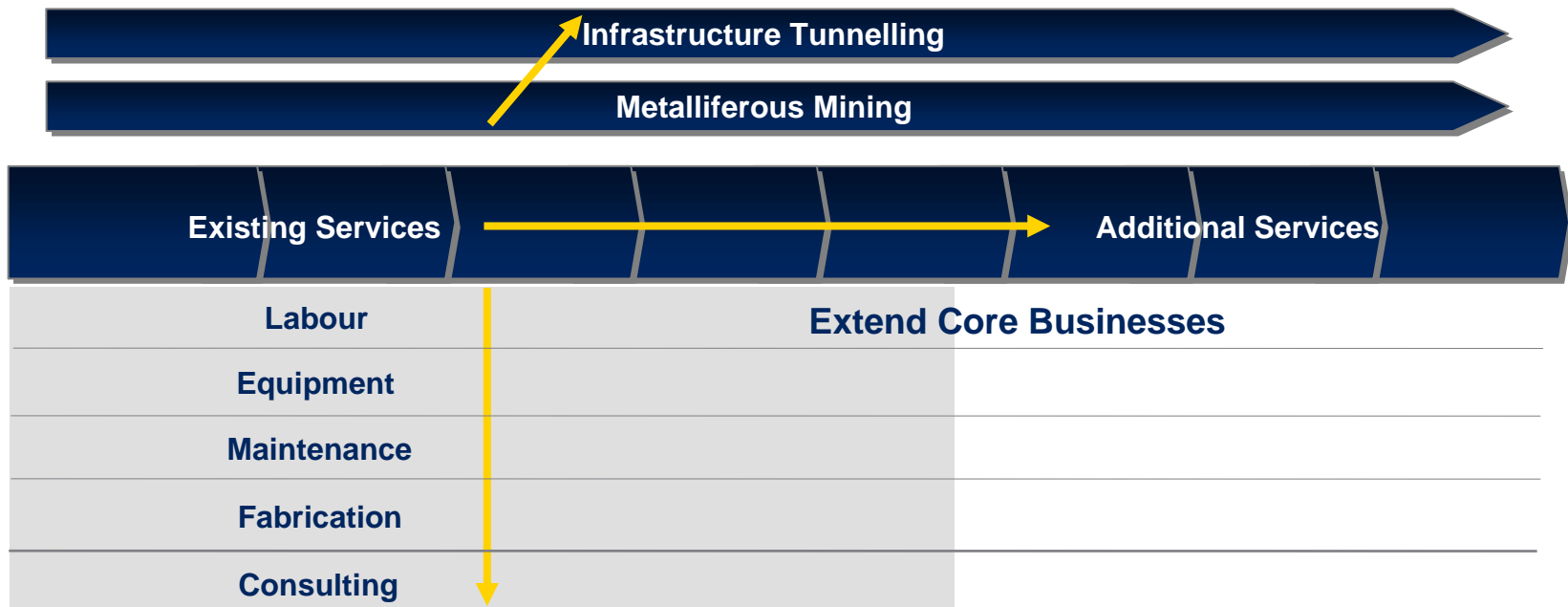
- WM has forged a strong position in relation to new underground mining projects planned to commence in FY09
- Service related contracts under the Walter Engineering banner, including electrical works and installation and maintenance of conveyor systems and plant are a growing focus and revenue driver
- Consulting services are a focus in both the Australian and Indian markets
  - Two live tenders in India in association with Joy Mining
- Utilisation of plant expected to be at higher level compared to FY07 and H1 FY08
- Roadheader opportunities in hard rock civil tunnelling to increase in Australia
- Port constraints starting to ease – strong forecast growth in coal exports over next two to three years will provide opportunities



# Growth Strategy & Outlook

- WDS has demonstrated the capacity to expand its operations through the continued development of its core businesses and the application of its expertise to adjacent industries

## Apply expertise across adjacent industries



## Grow Core Businesses

- For example:
  - Hooper Engineering – Additional services and geographic expansion into Central West of NSW for WM
  - Ackroyd Engineering – Enhanced capacity for DCC in compression station CSM
  - MCT – Micro-tunnelling capacity (up to 2.5 metre diameter) – infrastructure tunnelling

# Growth Drivers

<p><b>Increase water, recycled water and waste water pipeline operations</b></p>	<ul style="list-style-type: none"> <li>➤ Opportunities increasing across Australia due to planned government initiatives to overcome decades of neglect</li> </ul>
<p><b>Increase participation in emerging coal seam gas markets</b></p>	<ul style="list-style-type: none"> <li>➤ Focus on Queensland and New South Wales market. Strong opportunities for DCC in coal seam methane area particularly as pricing mechanisms come into play</li> </ul>
<p><b>International expansion</b></p> <p style="text-align: right;"><i>UAE</i></p> <p style="text-align: right;"><i>India</i></p>	<ul style="list-style-type: none"> <li>➤ Abu Dhabi for pipeline and micro-tunnelling work in conjunction with our local partner Al Nasr</li> <li>➤ Opportunities in India around the mechanisation of the coal industry in JV with Joy Mining</li> </ul>
<p><b>Acquisitions</b></p>	<ul style="list-style-type: none"> <li>➤ Continue to pursue strategic acquisitions to consolidate position in mining and pipeline construction services industries</li> </ul>
<p><b>Provide additional coal mining services to new and existing clients</b></p>	<ul style="list-style-type: none"> <li>➤ Expand service offerings to include electrical services, technical services, conveyor and equipment maintenance, safety/training services under the Walter Engineering banner</li> </ul>
<p><b>Metalliferous mining and infrastructure tunnelling industries</b></p>	<ul style="list-style-type: none"> <li>➤ Leverage the Company's large fleet of road headers and experience in the underground coal mining industry to pursue a number of opportunities</li> </ul>
<p><b>Carbon Capture and Storage (CCS)</b></p>	<ul style="list-style-type: none"> <li>➤ Growth opportunities in providing services to new technologies – carbon sequestration e.g. Santos Cooper Basin plan and other experimental projects in Australia</li> </ul>

# Summary & Outlook

## H1 08



### ■ Financials:

- Net Profit After Tax \$7.5 million
- Expect to maintain current EBITDA margins
- Current gearing ratio sitting at 33%
- Headroom available in GE Facility
- FY2008 revenue targets are 95% secured through contracted work

### ■ DCC/MCT expected to continue strong growth

- Buoyant WA and SA resource sector provide strong short to medium term growth opportunities
- Coal Seam Methane projects in Queensland
- Cooper Basin works
- Water and Waste Water Division growing strongly, particularly in Queensland
- Sewer replacement program in all capital cities
- UAE opportunities

### ■ WM will remain steady in FY2008 but expected to increase growth again in FY2009

- WM's consulting operation in India and Australia provide good growth potential
- Electrical, mechanical and conveyor maintenance activities and services becoming revenue and profit driver under Walter Engineering banner
- Opportunities increasing as port constraints ease and coal price increases drive production increases

### ■ WDS placed to continue sustainable growth through organic initiatives and strategic acquisitions

# Summary & Outlook

Walter Diversified Services aims to continue to be a leading provider of specialist technical services to the mining, water and energy service industries.

WDS has two main operating divisions:

## **DCC/MCT**

- oil and gas; water and waste water pipeline and infrastructure services, micro-tunnelling, civil engineering

## **Walter Mining**

- underground mining, engineering, plant hire and maintenance services





**Walter**  
Diversified Services

