

ASX/MEDIA RELEASE

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## 2014 Annual General Meeting: Chairman Russell Kempnich's Address

2014 has been a turnaround year for Sedgman and a year where our management have delivered on their promises. A very positive result for the second half has been consolidated in the first quarter of FY2015.

As I alluded to last year, our Company has been able to consolidate in a very difficult market and has begun the steady march back to solid, sustainable earnings growth – growth that will come from a stronger diversified range of projects beyond our traditional markets in Australian coal. This strategy is of course nothing new, and we have been on this journey for many years. However, I am extremely pleased to report that the strategy has gained the critical mass and momentum and is now truly entrenched as our long-term sustainable business model.

For FY2014 we reported a net loss after tax of \$7.7 million in line with guidance. However, it was a year in two parts with a very strong recovery in the second half, moving from an underlying profit (EBITA) of an \$8.6 million loss in the first half to a positive \$12.5 million result for the second half. On the back of this result, our strong balance sheet and net cash position of \$76.5 million at year end allowed the Board to support a further two cent fully franked final dividend, bringing the full-year dividend to four cents. Subsequent to year end, management have secured a substantial part of our forecast order book for FY2015, and I'm confident we will be able to continue to support a strong fully franked dividend policy going forward.

During the recent contraction in the market, we have seen some spectacular falls from grace and corporate failures within our sector. These events, while limited in number, cast a cloud over the whole resources services sector and masked the market's appreciation of our strong balance sheet, strict risk-management protocols and diversified project pipeline.

After 35 years in the resources services business, we have learnt how to adjust our service offering to realise fair value for our services and deliver exceptional value to our clients and shareholders. Sedgman has had the chance to grow into its skin and is very well equipped to compete for profitable work across the full scale of project development, from feasibility studies (Create phase) to design, engineering and construction (Build phase) and ultimately operations management (Operate phase). We have seen many services companies come and go over 35 years, but we are still here and are very proud of our track record.

While the Australian coal sector and more recently, iron ore, have been hard hit by reducing prices and associated cut backs, your Company has succeeded in winning new work across a broad range of commodities, including the traditional bulks, but also gold, copper, tungsten, manganese and mineral sands. Peter will discuss in detail these contract awards and milestone achievements in his address.

Our Executive team has also adjusted our business models and service offerings to meet the changing needs of clients. Some of these services are focused on leveraging our operational and technical expertise to assist our clients in extracting greater efficiencies and value from their existing operations and assets.

Many of these changes are due to changing industry circumstances and priorities, but, as I have already mentioned, many are also the outcome of a well thought through and executed strategy finally getting some real traction and delivering sustainable profitable growth opportunities.

These strategies were established under the expert guidance of our previous Chief Executive Officer and Managing Director (CEO & MD) Nick Jukes. Nick decided not to renew his contract with us and left the business earlier this year. I take this opportunity to thank Nick for his dedication and leadership over what, in hindsight, was the most challenging period of your Company's history.

The Board was delighted to be able to announce the appointment of Peter Watson to the role of CEO & MD. Peter was an internal appointment but won the opportunity against a strong list of external candidates. Subsequent to his appointment Peter has hit the ground running and achieved exceptionally against his plans and objectives.

This year Sedgman celebrates 35 years in business. Sedgman's history is a rich one, a tapestry woven with integrity, ingenuities, innovation, experiences and achievements. It is a beautiful thing, but it's not finished and it never will be. It is not intended to be finished. It is an evolving story woven with strong fibres and beautiful colours.

The colours of our industry: black, gold, copper, ochre and white – colours of the minerals and resources your business transforms every day. It is a story woven with the strength, flexibility and resolve of the people who work in our business. Yes there are a few missed stitches here and there and some parts come together faster and better than others but it continues to evolve. It is a pretty cool thing and something of which I am very proud.

I have been a part of the Sedgman story for all of its 35 years and will continue to contribute enthusiastically for the foreseeable future. As announced in October, I have decided to stand down from the role of Chairman effective from today's meeting. After 16 years in the role, the last eight as Non-Executive Chairman of the public Company, I feel it is appropriate to hand over the reins. Your Deputy Chairman, Robert McDonald, will step into the Chairman's role and will be the Company's first truly independent Chairman, something your Board has always planned for and unanimously agrees with.

I am very proud that Sedgman has moved beyond the founder phase of its corporate development – a milestone not too many other companies in this sector manage to achieve. I firmly believe that an independent Chairman is in the best interest of the Company and good corporate governance. I will remain on the Board as a Non-Executive Director as long as you the shareholders are pleased to have me.

As mentioned at last year's AGM, your Board is acutely aware of the need for renewal and diversity and in this vein Roger Short will resign effective from the closure of today's meeting. Roger has been on the Board since the float in June 2006 and has made a huge contribution to the operation of the Board and its committees. In extending our thanks and appreciation, the Board and Management wish Roger and his wife, Julie, the very best for the future. We are actively engaged in the recruitment of an independent director and hope to make an announcement soon.

In closing, allow me to also extend my appreciation and thanks to all the Executives and staff who continue to achieve great things and propel the Sedgman brand into the next exciting phase of our journey.

To our clients, shareholders and other stakeholders, thank you for the opportunities to be involved in an exciting and ever-changing industry. To the Sedgman staff, thank you for your hard work and valuable contribution over the past 35 years.

Here's to continuing our story for the next 35 years.

## About Sedgman

Sedgman Limited (ASX: SDM) provides solutions to the global resources industry. Our services range from concept, pre-feasibility and design through to construction, commissioning, operations, maintenance and asset management.

Established in 1979, Sedgman listed on the ASX in June 2006 and has approximately 700 employees. Headquartered in Brisbane, Australia with offices in Perth, Townsville, Newcastle and Mackay, Sedgman has international offices in Beijing, Shanghai, Ulaanbaatar, Santiago, Vancouver and Johannesburg. Sedgman delivers projects and operations across Australia, Africa, Asia and the Americas.

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