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MARKET UPDATE

WDS Limited (ASX: WDS), today provided an update of its preliminary earnings expectations for FY15 of continuing profitable growth, provided to the market in August 2014. The revision of the outlook for the WDS Group follows a close examination of the effects of the following events:

- An incident at an Energy Division worksite in Queensland in which a WDS employee was fatally injured.
- Advice received that the Energy Division was not successful in winning the initial package of work for the next phase of a major CSG project, known as the 'sustain phase'.
- Adverse circumstances experienced by the Mining Division in the driveage of two surface to coal seam access drifts at the Eagle Downs Coal Mine where much lower than expected tunnelling rates and support installation rates have been achieved.

As a consequence of this examination, WDS now expects net profit after tax (NPAT) for the 12 months to 30 June 2015 to be in the range of \$1-3 million, strongly weighted to the second half, after adverse impacts of the order of \$9 million from the Energy Division and of the order of \$4 million from the Mining Division. Revenue is forecast to be in the range of \$330 - \$350 million.

Workplace Fatality

On 15 September one of WDS' employees suffered a fatal injury at a WDS worksite on the Australia Pacific LNG project in Queensland. This incident was broadly reported in state and local media soon afterwards. As a first priority, WDS has taken steps to be supportive of the employee's family and WDS employees. Management has then moved to examine carefully the root causes of the incident and is determined to bring about such improvements to further mitigate risks across all worksites.

WDS Chairman, Ross Rolfe, said, "We are all saddened by the tragic loss at work of a valued long term employee and friend and absolutely determined to do all we can to mitigate such risks in all WDS workplaces going forward".

WDS is a principal contractor on the project providing pipeline gathering work associated with the development of CSG/LNG gas fields in Queensland. Operations were suspended while the incident was investigated and the company has fully supported the authorities in the investigation.

Works have recommenced on site. We expect completion of the current APLNG work packages in the first half and will then demobilise from site.

Further CSG Opportunities

WDS continues to actively tender for further works associated with the sustain phase of all of the various CSG/LNG projects operating in Queensland.

Eagle Downs Drift Project

Mobilisation for the Eagle Downs project commenced in February 2014. The project is expected to generate \$142.8 million in revenue over a period of two years. Productivity in the production phase has not attained the level expected in previous guidance by WDS, resulting in reduced revenue and margin on the project. A range of measures has been adopted to increase productivity and improve production rates. It is now necessary to recognise the cumulative financial effects of this performance in the current year which will have a profit impact of \$4 million on the Group's results for FY15.

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Review of Business Strategy and Operations

The Board has adopted a range of measures to address both the interruption to WDS' growth plans and longer term growth initiatives, including:

- Commissioning of a Review of Business Strategy and Operations of the company. The review will be undertaken in stages and will be completed by the end of 2014. The review will be conducted by independent external persons chosen for their substantial operational experience and credibility in the industry.
- Continuing operational responses and collaboration with Clients.
- Further cost savings initiatives. These include the closure of the Sydney Head Office by the end of December 2014 and its relocation to Brisbane.

Board and Management Renewal

The Board and Managing Director, Mr Terry Chapman, have agreed that it is appropriate timing for a transition to new leadership. The Board will now look to secure a new CEO as a matter of priority. Mr Chapman has agreed to remain as CEO until a suitable candidate is found.

The Board will also look to strengthen its composition, following the recent departure of Michael Barton.

The Chairman, Ross Rolfe, said "Terry was appointed Managing Director of WDS at a particularly difficult time in its history. He has guided the company through a very challenging 4 year period. We wish him well for the future and thank him for his leadership during this time."

Mr Rolfe added "We would like to reassure our shareholders that WDS remains in a strong position - our balance sheet is sound, we have a solid order book and a robust opportunity pipeline that will support future sustainable growth."

At 10:00am AEST today, WDS will host a live audio stream of a conference call with analysts and investors to discuss this market update. Individuals wishing to access the live stream may do so by using the following link:

<http://www.openbriefing.com/OB/1604.aspx>

For those unable to attend at the above time, the full briefing will be available for viewing on the WDS website (www.wdslimited.com.au) from 14/10/2014.

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ABOUT WDS LIMITED: WDS aims to be a provider of world class services to the Energy and Mining sectors in Australia, enabling our clients to focus on their core business. We employ a large workforce of skilled people with strong technical and industry expertise capable of delivering specialist feasibility, design, engineering, manufacturing & construction and maintenance related services. Our clients include blue chip corporates, government, emerging miners and gas producers who expect our commitment to the highest standards of safety and environment, operational excellence, working together and accountability for on-time and on-budget project delivery. For further information, visit our website at www.wdslimited.com.au

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