

ASX ANNOUNCEMENT: 02 September 2010**Management on FY10 Results & Outlook**

Open Briefing with CEO Terry Chapman & CFO Anne Hayes

WDS Limited
Level 10, 2 Elizabeth Plaza
North Sydney NSW 2060**In this Open Briefing[®], Terry & Anne discuss:**

- Focus on cash management brings significant reduction in working capital
- Strengthened disciplines in place around contract tendering and performance
- Business right-sized for immediate opportunities

Open Briefing interview:**openbriefing.com**

WDS Limited reported a net loss of \$7.5 million for the financial year ended 30 June 2010, versus profit of \$20.3 million in the previous year. EBITDA declined to \$13.7 million from \$53.8 million. What visibility do you have regarding earnings for the current financial year?

CEO Terry Chapman

So far in the current financial year, we're trading profitably and we're cash flow positive. Work in hand is better than this time last year in Mining but lower in Energy & Infrastructure. Our expectation is that full year revenue will be approximately in line with FY10 and we expect to be profitable but at a low level.

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Full year operating cash flow was \$15.9 million (FY09: \$34.1 million). How will the key outcomes and recommendations from the interim business review impact cash flow in FY11? What further turnaround initiatives will you implement over FY11 and how are you prioritising your action plan?

CFO Anne Hayes

Our FY10 operating cash flow included a repayment of a \$14.7 million contractual claim we received in the prior year. Adjusting for this, FY10 operating cash flow would be \$29 million, against \$18 million in FY09, so there was actually an improvement in cash flow, which predominantly came through in the second half.

One of the key initiatives out of our business review was around improving cash management, which we put in place during the second half of FY10. Reducing our debtors by

\$20 million meant that working capital was in much better shape at 30 June 2010. Our focus on cash management is ongoing.

CEO Terry Chapman

On the operational side, cash is certainly a focus in our contract tendering: we're focused on disciplined risk management at the front end of projects; ensuring we have payment terms commensurate with securing a stable cash flow; and making sure we're meeting our margin expectations during project delivery.

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The Mining division continued to perform strongly over FY10 with EBITDA increasing 26% to \$23.7 million. What will be the key growth drivers for the division over FY11? How is the business tracking so far this financial year?

CEO Terry Chapman

Current work in hand for the Mining division is higher than this time last year. We're also preferred bidder on a number of projects, so converting those to hard orders will maintain momentum.

The Mining business is also expanding geographically, albeit with some modest contracts, so our success with some of those new clients, and the expansion possibilities this presents, would be another potential growth driver.

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During FY10 WDS reset its criteria for selecting projects and tightened its project control procedures. How will this impact WDS's competitiveness in contract tendering and fulfillment and how will it translate to earnings in FY11 and beyond?

CEO Terry Chapman

The key to tendering is maintaining our capabilities, particularly our triple certification, which requires us to retain a certain level of resources.

We've refocused our tendering around projects with a sufficient scale to allow us to cover the necessary project control resources, and around a client base that suits our expertise and overhead structure.

In addition, we've strengthened disciplines across all our projects in relation to contract conditions, payment terms and the risks specific to the job. We have also increased our focus on contract review processes to ensure we're delivering profitably and in line with expectations.

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At 30 June 2010 total your work in hand was \$187 million. How secure is this amount? Where do you expect the profile of work in hand to trend over FY11 and where do you see the strongest opportunities for growth?

CFO Anne Hayes

The work in hand includes current, contracted projects and some term contracts, where the value is based on our assessment of the amount of revenue we'll actually receive under those contracts.

The work in hand figure doesn't include projects on which we currently have preferred tender status. The value of those tenders is substantial, totaling \$150 million in Mining and \$82 million in Energy & Infrastructure. We're hopeful many of those tenders will convert to firm orders in the short term.

Also excluded from the work in hand are the small, short lead-time jobs we do predominantly through our workshops in the Mining business. This is largely maintenance and repair work and totals around \$23 million annually.

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Net debt as at 30 June 2010 was \$23.4 million with gearing (net debt to net debt + equity) of 12.6%. This is well below your long term target of 30% to 50%. Do you plan to further reduce debt levels? Are you being too conservative at the expense of pursuing value accretive opportunities?

CFO Anne Hayes

We acknowledge that it's a conservative position but we believe it is the right one for us at this point in time. Our maintenance expenditure on plant and equipment in FY10 was reduced from the prior year. We would expect a slight increase in this capital expenditure in FY11. Capital expenditure on growth assets will be assessed based on the individual investment returns.

CEO Terry Chapman

We continue to assess new capital expenditure opportunities on a case-by-case basis and in consideration of achieving an appropriate risk-return profile. But, our first priority at this point is to draw more value out of our existing assets. We have to get our under-utilised plant making a greater contribution to revenues and we have to extract appropriate returns from the assets we have.

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What balance sheet capacity and flexibility does WDS have to support new contracts without compromising its existing debt covenants? And do you plan to raise any capital this financial year?

CFO Anne Hayes

We're operating within our debt covenants and our facility with GE gives us access to funding to support new contracts.

We have no immediate need to raise capital.

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After two months as MD and CEO, Terry, what is your assessment of the quality of the business, what are your management priorities for the current year and what do you see as the main challenges for the business?

CEO Terry Chapman

Most importantly, the safety focus of management and our employees is outstanding.

I'm comfortable we are in the right sectors and pleased that we have continued to build on

our capabilities, as evidenced by the consistent growth of our Mining division. I am also impressed by the quality of our people – our people are the key driver of our success.

A key area of focus has to be our customers. We need continual engagement with our key clients to ensure we understand their issues and can respond quickly.

Following the business review we have an appropriate structure and overhead for our current business activity and we have the capability to expand as work opportunities arise. We will focus on our risk management, contract delivery and plant utilisation, which will give us a sound platform to increase shareholder value.

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Thank you Terry and Anne.

For more information about WDS Limited, visit wdslimited.com.au or call Terry Chapman or Anne Hayes on +61 2 9018 3414.

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