BOART LONGYEAR

**Boart Longyear Limited**
ABN 49 123 052 728

## ASX Announcement/Media Release

26 August 2008

# *STRONG FIRST HALF GROWTH IN REVENUE AND EARNINGS, UPGRADE IN GUIDANCE FOR THE FULL YEAR*

## Highlights:

**Strong financial performance**
- Revenue US$985 million, up 36.0%[1]
- EBITDA US$223 million, up 57.5%[1]
- Net profit US$112 million, EPS 7.4 cents
- Strong balance sheet, leverage reduced to 1.7 times EBITDA
- Interim dividend of 2.3 cents declared

**Investment for growth**
- Two acquisitions in first half; plus Westrod Engineering acquired 1 July 2008
- 88 net drill rigs added to the fleet, 42 from acquisitions
- Products division production and backlog strong; extensive new product pipeline

**Positive outlook**
- Guidance for revenue growth for the year upgraded to 25%, EBITDA margin for the year to be sustained at 22%

Boart Longyear Limited today confirmed strong revenue and earnings growth and upgraded its guidance for the full year.

Commenting on the results, Boart Longyear's CEO-designate, President and Chief Operating Officer Craig Kipp said that "Boart Longyear's 2008 first half results reflect continued strong growth from both our Drilling Services and Products divisions due to ongoing high demand, particularly in mineral exploration. Boart Longyear has seen little impact on demand despite uncertainties in global financial markets. Rig orders, a leading indicator of the state of our market, were 40% higher in the first half than at the same time last year. We have managed the increasing cost pressures from steel, oil and labour effectively. We expect demand to continue to be strong in the second half, and we are well positioned to meet market requirements. While we see some regional differences, in total, around the globe, we are not seeing any downturn in demand for our products or services in the minerals industry."

Mr. Kipp further stated that "We have increased our Drilling Services fleet to 1,194 rigs. In doing this we have spent considerable effort again this year in ensuring that our rigs are placed in geographies where we can maximise returns. Furthermore, the substantial investments we have made in education, training and safety are having a positive effect on productivity and on the retention rates for our drillers. Our good safety performance has also further improved over the half year."

Mr Kipp commented that the Products division had again achieved strong revenue and profit growth due to the introduction of new and better products, as well as the success achieved in bringing factory lead times down following Boart Longyear's investment in capacity in 2007. Continuing the shift from a fixed to variable cost base is a key focus area, and further

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*1. Comparisons of underlying financial results over prior period are from continuing operations, and exclude the financial results of the mining capital equipment businesses divested in 2007 and 2008 as well as the gain on sale of the South African mining capital equipment business divested in H12008.*

outsourcing of production has also been achieved. “Improvement in factory efficiencies has allowed us to turn our focus to maximising growth from our varied sales distribution channels and supplier relationships through effective supply chain management.“ Mr Kipp said.

## FINANCIAL OVERVIEW

| | Statutory results | | | 2008 Statutory vs 2007 proforma | | |
|---|---|---|---|---|---|---|
| US$M | H12007 Actual | H12008 Actual | Year on year Growth | H12007 Proforma | H12008 Actual | Year on year Growth |
| Revenue | 750 | 985 | 31.4% | 753 | 985 | 30.8% |
| EBITDA | 140 | 223 | 59.9% | 156 | 223 | 43.3% |
| *EBITDA Margin* | *18.6%* | *22.7%* | | *20.7%* | *22.7%* | |
| NPAT | 17 | 112 | 545.0% | 72 | 112 | 55.9% |
| EPS (cents) | 1.2 | 7.4 | 516.7% | 4.8 | 7.4 | 54.2% |

*H12007 includes US$30.2million of revenue and US$4.4million of EBITDA in respect of MCE businesses sold in H12007 and H12008. H12008 includes US$6.3million of revenue and US$0.8million of EBITDA in respect of MCE South Africa sold in H12008. H12008 also includes US$9.4million of EBITDA in respect of gain from the sale of MCE South Africa.*

Revenue and earnings for the half year were significantly higher than the results reported in the first half of 2007, driven by strong demand across all regions.

Total revenue for the half year was US$985 million, an increase of 36.0%[1] on a year-over-year basis after considering the divestitures of the Australian and South African mining capital businesses in 2007 and earlier this year. Of the US$235 million increase, US$63 million (8.4%) was due to foreign currency translation arising from the ongoing weakness of the US dollar.

Total EBITDA for the half year was US$223 million, reflecting an increase of 59.9% compared over the first half of 2007 and 57.5%[1] on a like for like basis after allowing for the impact of the divestments. Of the US$83 million increase, US$13 million (9.6%) was due to foreign currency translation.

Improved gross margins and leverage of the overhead cost base led to the 22.7% EBITDA margin, which was 410 basis points above the first half of 2007. Removing the operating profit and gain on sale related to the South African mining capital equipment business (US$10 million in total) resulted in an underlying EBITDA margin of 21.8%.

Net profit after tax for the half year was US$112 million, an increase of US$95 million over the first half of 2007. This improvement reflects strong growth across the business and lower post-IPO finance costs. Net finance costs were US$18 million, a decrease of US$63 million compared to the first half of last year. The group’s expected effective tax rate remains 32%.

Half year net cash flows from operations of US$45 million compare favourably with net cash flows of US$36 million for the first half of 2007. Working capital management continues to be an area of focus. In spite of cash-intensive revenue growth, the net working capital to revenue ratio of 21% was maintained, the same as 2007 mid-year. Capital expenditure for the half year was US$75 million, up US$13 million due to the increased investment in new rigs by Drilling Services.

Statutory earnings per share were 7.4 US cents, up from 1.2 cents in the first half of 2007. An interim dividend of 2.3 US cents per share has been declared, representing 31 percent of net profit after tax for the first half of the year. The dividend will be franked to 35 percent and paid on 16 October 2008.

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*1. Comparisons of underlying financial results over prior period are from continuing operations, and exclude the financial results of the mining capital equipment businesses divested in 2007 and 2008 as well as the gain on sale of the South African mining capital equipment business divested in H12008.*

## OUTLOOK

The Company stated that its strong first half and continued demand for its products and services should support 25% annual revenue growth for the full year, assuming no significant change in exchange rates through the end of the year. The Company also expects on a group wide basis to sustain an EBITDA margin of 22% for the 2008 year.

The Company remains focused on its core exploration Drilling and Products businesses. Capital expenditure in 2008 is estimated to be US$160 million, the majority of which will be for the purchase of new rigs. Approximately 80 net rigs are expected to be added to the fleet through the year, in addition to rigs which are acquired through the acquisition of drilling services businesses. Boart Longyear is actively pursuing several acquisition targets core to its business, a number of which are well progressed.

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