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Boart Longyear Announces 2012 Full-Year Financial Results

- Record first half revenue / profit in 2012
- Results affected by global slowdown in mining activity during second half of 2012
- US\$70M in costs removed from company overheads
- Initial signs of stabilisation in mining activity in 2013
- US\$68M of restructuring and impairment charges taken

Boart Longyear Limited (ASX: BLY), the world's leading supplier of drilling services, drilling equipment and performance tooling to mining and drilling companies, today announced financial results for the 12 months ending 31 December 2012. Despite a record first half, the Company reported flat revenue and declines in EBITDA and net profit after tax (NPAT) for the full year, as slowing global mining conditions in the second half of 2012 led to a softening of revenues and put pressure on pricing and margins.

Reported revenue and EBITDA, excluding restructuring and related impairment charges, were in line with revised guidance issued last November.

RESULTS SUMMARY

Full-Year 2012 results:

- Revenue of US\$2.01B, flat on FY11
- Statutory EBITDA of US\$254M, down 29% on FY11
- Adjusted¹ EBITDA of US\$322M, down 10% on FY11
- Statutory NPAT of US\$68M, down 58% on FY11
- Adjusted¹ NPAT of US\$114M, down 29% on FY11
- Statutory earnings per share of US\$0.15, down 57% on FY11
- Adjusted¹ earnings per share of US\$0.25, down 29% on FY11
- Dividend: 1.0 US cent per share for second half 2012

¹ Adjusted EBITDA and NPAT are non-IFRS measures and are used internally by management to assess the performance of the business and have been derived from the Company's audited financial statements. The adjusted measure excludes the impact of \$68M (\$46M net of tax) of restructuring and related impairment charges, of which \$13M was paid in cash in 2012.

,	Statutory	Statutory			Adjusted ¹			'12 / 11
	2011	1H 2012	2H 2012	2012		2H 2012	2012	% Change ²
Revenue	2,020	1,099	913	2,012	1,099	913	2,012	0%
Gross Margin	564	312	200	512	312	200	512	-9%
Gross Margin %	28%	28%	22%	25%	28%	22%	25%	
EBIT / Op Profit	246	148	-21	127	149	46	195	-21%
EBIT / Op Profit Margin %	12%	13%	-2%	6%	14%	5%	10%	
EBITDA	356	208	46	254	209	113	322	-10%
EBITDA Margin %	18%	19%	5%	13%	19%	12%	16%	
NPAT	160	98	-30	68	98	16	114	-29%
NPAT Margin %	8%	9%	-3%	3%	9%	2%	6%	
EPS (cents)	35.1	21.4	-6.4	15.0	21.4	3.6	25.0	-29%
Cash from Operations	198	24	40	64	24	53	77	-61%
Net Debt	231	373	512	512	373	512	512	122%
Headcount	10,572	11,440	9,162	9,162	11,440	9,162	9,162	-13%

Boart Longyear Chairman and Interim CEO, Mr David McLemore, said full-year revenue was in line with expectations but the sharp slowdown in mining activity during the back half of the year posed significant challenges, particularly in Drilling Services.

"We have since moved aggressively to take cost out of the business, including reducing headcount by over 2,200 people globally and consolidating manufacturing to lower-cost centres. In all, management has removed US\$70M from the business, equivalent to 20% of the global overhead, and this will support improved margins in 2013," Mr McLemore said.

"The global outlook for mining services remains uncertain. However, our key indicators of rig utilisation and the order backlog for Drilling Products which includes drilling equipment and performance tooling have stabilised. The Company's work to restructure the cost base means we are very well positioned to benefit from any pick-up in mining activity this year."

OPERATIONS

Drilling Services recorded revenue of US\$1.52B for full year 2012, up 5% on the previous year and a record revenue performance for this division.

However, lower rig utilisation and a softer pricing environment in the second half of 2012 contributed to a 2% decline in Drilling Services EBITDA to US\$290M for the full year. This result also reflects the timing lag between declining Drilling Service revenues in the second half and the take-out of costs, mainly headcount reductions, in response. Drilling rig utilisation averaged 69% for 2012, compared to 75% in 2011.

Adjusted EBITDA and NPAT are non-IFRS measures and are used internally by management to assess the performance of the business and have been derived from the Company's audited financial statements. The adjusted measure excludes the impact of \$68M (\$46M net of tax) of restructuring and related impairment charges, of which \$13M was paid in cash in 2012.
Change compares 2012 Adjusted and 2011 Statutory

Revenue from Drilling Products, including drilling equipment and performance tooling, was down 13% for the full year to US\$495M, while EBITDA declined 19% to US\$107M. Slowing demand in the second half of 2012 was evident in the higher fixed-cost-per-unit for products in this period.

In an encouraging sign for near-term market conditions in Drilling Products, the sharp decline in the order backlog that commenced in the second quarter of 2012 stabilised by year end and is trending favourably.

The Company's review of strategic options for the primarily US-centred environmental and infrastructure end market is nearing completion, with an announcement on this business expected in the near future.

Drilling Services					
US \$M	2011	1H 2012	2H 2012	2012	% change
Revenue	1,448	817	699	1,516	5%
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EBITDA	296	177	113	290	-2%
EBITDA Margin %	20%	22%	16%	19%	
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Products					
US \$M	2011	1H 2012	2H 2012	2012	% change
US \$M	2011	1H 2012	2H 2012	2012	% change
US \$M Revenue	2011 572	1H 2012 282	2H 2012 213	2012	% change
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Investment in product R&D continued at a healthy pace despite the slowdown, with Boart Longyear applying for 177 patents during 2012 (compared to 210 in 2011).

Boart Longyear's continued focus on safety delivered significant improvements on key measures during the year. Injuries and reported incidents were down, while all prevention indicators recorded sharp increases.

Adjusted cash from operations was US\$77M for the year, down from US\$198M in FY11 and reflecting the year-on-year change in net working capital following the subdued conditions in the second half of 2012.

Net debt increased to US\$512M at year end from US\$231M the previous year, attributed mainly to capital expenditure commitments and the working capital change. Leverage remains less than 2.0x EBITDA.

DIVIDEND

Earnings per share were 25.0 US cents per share on an adjusted basis, down from 35.1 US cents per share in FY11. Directors determined a dividend of 1.0 US cent per share for the second half of 2012, payable on 12 April 2013 to shareholders of record on 15 March 2013. This represents a total dividend for the year of 7.4 US cents.

OUTLOOK and COMMENTARY

Mr McLemore said the Company would be focused in the coming year on consolidating efficiencies gained toward the end of 2012, while improving profitability and cash flow.

"The prospects for the global mining sector over the medium to long-term remain very strong. Boart Longyear's strong diversification by region, commodity, product and service leaves us well leveraged to the long-term trends in this industry.

"Looking to 2013 all indications show that conditions across our key market segments have stabilised and the revenue run-rate over 2013 will largely mirror the second half of FY12. We remain alert to an uptick in activity and with a leaner cost base, the Company is positioned to respond rapidly and profitably to meet new demand as and when it emerges," he said.

"At the same time, our work to position Boart Longyear for more consistent performance through the mining and commodity cycle is ongoing. A key focus over the near term will be reviewing processes across the business leading to a cost and debt structure that is more resilient to down cycles.

"Capital expenditure is at a modest US\$50 million in 2013, subject to a review mid-year. We expect to extract more costs from the business in the current half of 2013. There will be a renewed emphasis on cash discipline, managing working capital and driving cash flow to pay down debt," he said.

About Boart Longyear

With over 120 years of expertise, Boart Longyear is the world's leading provider of drilling services, drilling equipment, and performance tooling for mining and drilling companies globally. It also has a substantial presence in energy, mine de-watering, oil sands exploration, and production drilling.

Boart Longyear is a global company headquartered in Salt Lake City, Utah, USA, and is listed on the Australian Securities Exchange in Sydney, Australia. Sales in 2012 were over US\$2 billion, and the company employs approximately 8,500 employees worldwide. Contract drilling services are conducted in over 40 countries, and drilling products are manufactured in six global factories and sold to our customers in the 100+ countries where they operate.

More information about Boart Longyear can be found on the Internet at www.boartlongyear.com. To get Boart Longyear news direct, visit http://www.boartlongyear.com/rssfeed.

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