PROGRAMMED MAINTENANCE GROUP

# ASX Announcement

**20 November 2008**

Company Announcements Office
ASX Limited
Exchange Centre
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

## MEDIA RELEASE: HALF YEAR RESULTS
### HALF YEAR ENDED 30 SEPTEMBER 2008

The Company's Board of Directors has decided that, in view of the change in price of the Company's securities and the price query received from the ASX yesterday, to bring forward the release of the Programmed Maintenance Group's half year results, initially planned for Wednesday, 26 November.

Accordingly, please find attached the Media Release for the half year to 30 September 2008, which provides the details of the Group's results for the period, which is consistent with previous market announcements.

Yours sincerely,
**PROGRAMMED MAINTENANCE SERVICES LIMITED**

Ian H. Jones

Ian H. Jones
Secretary

PROGRAMMED MAINTENANCE GROUP

**ASX/Media Release** **20 November 2008**

# Programmed first half EPS up 33% before amortisation

- Continued growth in revenue and profit on a comparable basis
- Interim dividend maintained at 9.5cps, 100% franked
- Revenue of $625.1 million, up 62% on pcp[1]
- EBITA of $34.1 million[2], up 50% on pcp[3]
- Comparable profit after tax (pre amortisation) of $16.8 million[2], up 50% on pcp[4]
- Reported profit of $12.6 million is after inclusion of $3.5 million[2] in Spotless defence costs
- Strong cashflow and strengthening balance sheet
- Successful completion of
  - Acquisition of engineering maintenance business SWG for 7.8 million PRG shares
  - Sale of waste management business Barry Bros for $25 million cash
- Initiatives taken to mitigate possible risks, in response to changed market conditions
- Full year guidance of $74 million[5] EBITA is reconfirmed

| | 1H Ended 30 Sept. 2008[2] $m | 1H Ended 30 Sept. 2007[4] $m | % change |
|---|---|---|---|
| **Revenue** | **625.1** | **386.7** | **61.6%** |
| EBITDA | 41.2 | 29.8 | 38.2% |
| Depreciation | (7.1) | (7.2) | 0.9% |
| EBITA | 34.1 | 22.6 | 50.6% |
| Amortisation | (1.8) | (0.9) | 98.3% |
| EBIT | 32.3 | 21.7 | 48.6% |
| Net Interest | (10.3) | (6.5) | 58.1% |
| Profit before Tax | 22.0 | 15.2 | 44.5% |
| Income Tax Expense | (7.0) | (5.0) | 41.4% |
| Comparable Profit after Tax | **15.0** | **10.3** | **46.1%** |
| Comparable Profit after Tax (pre amort'n) | 16.8 | 11.2 | 50.4% |
| **Earnings per share pre amortisation (cents)** | **18.0** | **13.5** | **33.1%** |
| Interim Dividend (cents) | 9.5 | 9.5 | 0.0% |
| Franking % | 100.0% | 100.0% | |

Note 1. On a proforma basis, with inclusion of full six months' revenue from Integrated in 1H Sept 07, revenue up 26%
Note 2. The 1H Sept 08 result excludes expenses arising from our response to the Spotless takeover offer amounting to $3.503 million on the basis that they are non-recurring
Note 3. On a proforma basis, with inclusion of full six months' EBITA contribution from Integrated in 1H Sept 07, EBITA up 26%
Note 4. The 1H Sept 07 result excludes a tax benefit of $1.282 million arising from the reduction in the New Zealand corporate tax rate from 1 April 2008
Note 5: The current full year guidance excludes expense ($3.503 million) arising from our response to the Spotless takeover offer

Programmed Maintenance Services Limited, the staffing, maintenance and facilities management group, today announced a 50 per cent increase in profit after tax (pre amortisation), on a comparable basis, to $16.8 million for the six months to 30 September 2008. On a similar basis, earnings per share increased by 33 per cent to 18.0 cents. Revenue increased by 62 per cent to $625.1 million.

After amortisation of intangibles and a $3.5 million non recurring expense related to Programmed's defence against Spotless' takeover offer, reported profit after tax was $12.6 million.

These results include three months' contribution each from SWG, which was acquired on 4 July 2008, and from Barry Bros., which was sold on 1 July 2008.

The directors have declared an interim dividend of 9.5 cents per share fully franked, payable on 27 January 2009 to shareholders on the register at 8 January 2009. As a further initiative to strengthen the company's balance sheet and reduce debt, which fell by 15 per cent during the half year, the dividend reinvestment plan (DRP) will be re-activated, with a discount of 5 per cent applying to the interim dividend. The DRP will not be underwritten.

Chris Sutherland, Managing Director of Programmed, said: 'We are very pleased with this result, which demonstrates the benefits that are flowing from the group's merger with Integrated Group in June 2007. Our greater scale has enabled us to extract significant back office savings, while upgrading IT and administrative processes, and we have further opportunities to lower costs and improve performance.

'During the period we concluded a number of strategic initiatives to strengthen the group's operations. These included in July the acquisition of SWG Holdings, which establishes Programmed in the engineering maintenance sector, and the sale of the non-core waste management business, Barry Bros.

'Cash flow remained strong and the group's balance sheet was strengthened through the Barry Bros. sale for $25 million in cash, while the acquisition of SWG was paid for in Programmed shares.

'Programmed's business model is built around our ability to recruit, retain and deploy a skilled workforce. Our five divisions, each with its own management team and long-term customer relationships, provide diversity and strength to the group's revenue, and offer some protection of earnings in a slowing economy.'

'More than 25 per cent of group revenue comes from long-term maintenance contracts, mainly for education and government; 21 per cent is related to offshore oil and gas where operations and investment continue; and 37 per cent comes from casual labour hire. While some companies reduce their operations during a downturn, others outsource labour and maintenance in order to lower costs and provide flexibility."

**OUTLOOK**

'While we are cautious about the impact of the economic slow-down, we believe Programmed's overall revenue will be relatively resilient, buoyed by the diversity of our customer base,' said Mr Sutherland.

'We have taken a number of measures to mitigate downside risk to earnings in those parts of our business that are vulnerable and we have reasonable visibility of earnings for the second half. However, we do understand this is a volatile market and further measures may need to be taken to mitigate yet to be identified impacts. On balance, taking into account the current expected economic impacts of a slowing economy, the group maintains its current forecast earnings of $74.0 million before interest, tax, amortisation and takeover defence costs in FY2009,' said Mr Sutherland.

## REVIEW OF OPERATIONS

| **Property Services** | Half year ended 30 Sep 2008 (A$m) | Half year ended 30 Sep 2007 (A$m) | % increase |
|---|---|---|---|
| **Revenue** | 145.1 | 124.4 | 16.6 |
| **EBITA** | 13.7 | 12.7 | 8.1 |

The Property Services division provides painting, corporate imaging and grounds maintenance services, including long-term preventative maintenance programmes, to government, educational and commercial / retail customers in Australia, New Zealand and the United Kingdom.

Demand for the division's services in Australia was strong, with good growth in the education, government and food retailing sectors. Performance in New Zealand, however, was affected by the economic slow-down there. The UK business' earnings contribution increased, with growing demand from schools for painting contracts.

As the division provides maintenance, which often cannot be deferred, its revenue is expected to be relatively insulated from the economic slow-down.

| **Facilities Management** | Half year ended 30 Sep 2008 (A$m) | Half year ended 30 Sep 2007 (A$m) | % increase |
|---|---|---|---|
| **Revenue** | 92.0 | 72.3 | 27.2 |
| **EBITA** | 1.8 | 1.5 | 20.5 |

The Facilities Management division, which will include the building services business from 1 December, continued to grow strongly, building on major contracts secured in FY2008. Work started in October on an $80 million, five-year contract to provide building services to New South Wales public housing, which demonstrates growing appreciation of the division's capabilities and competitive advantages.

This division's market share, while increasing significantly, remains small and the company believes there is considerable scope for further growth as customers seek to reduce costs through outsourcing maintenance and facility management.

| **Workforce** | Half year ended 30 Sep 2008 (A$m) | Half year ended 30 Sep 2007 (A$m) | % increase |
|---|---|---|---|
| **Revenue** | 224.8 | 117.1 | 92.0 |
| *Full half-year comparative* | | *188.8* | *19.1* |
| **EBITA** | 8.3 | 4.4 | 88.9 |
| *Full half-year comparative* | | *6.5* | *27.6* |

The Workforce division, which services over 2,500 customers throughout Australia, continued to increase its revenue, and margins benefited from cost synergies resulting from the Programmed/Integrated Group merger. Performance in Queensland was particularly strong and Western Australia's contribution would have been greater if labour hire had not been affected by the interruption of gas supply, but there was lower demand in New South Wales and Victoria.

While some companies increase their use of casual labour during a downturn in order to provide flexibility, steps have been taken to lower the division's cost base, especially in New South Wales and Victoria, and to adjust a number of operational processes. Plans to further expand the division's geographic coverage have also been deferred temporarily.

| **Marine** | **Half year ended 30 Sep 2008 (A$m)** | **Half year ended 30 Sep 2007 (A$m)** | **% increase** |
|---|---|---|---|
| **Revenue** | 111.7 | 53.8 | 107.6 |
| *Full half-year comparative* | | *90.0* | *24.1* |
| **EBITA** | 9.5 | 4.0 | 138.5 |
| *Full half-year comparative* | | *6.4* | *48.0* |

The Marine division is the leading provider of specialist manning and logistic services to the offshore oil and gas industry in Australia and New Zealand. The business continued to experience strong growth, driven by increasing offshore oil and gas exploration and production activity.

The division has a strong order book and pipeline of opportunities and is well placed to expand its existing operations.

| **SWG** | **Half year ended 30 Sep 2008[1] (A$m)** | **Half year ended 30 Sep 2007 (A$m)** | **% increase** |
|---|---|---|---|
| **Revenue** | 40.3 | 0.0 | N/A |
| **EBITA** | 3.5 | 0.0 | N/A |
| Note 1 1H09 results include 3 months' contribution from SWG | | | |

SWG, which specialises in engineering services, maintenance and minor capital works for the offshore oil and gas and onshore mining industries, performed well during its first three months as part of the Programmed group.

The division, which is based in Western Australia, is well placed to increase its market share from a small base. It continues to identify opportunities for new work on many operating oil, gas and mining sites, as it rolls out a plan to seek greater maintenance and project opportunities across these industries.

| **Industrial Services** | **Half year ended 30 Sep 2008 (A$m)** | **Half year ended 30 Sep 2007 (A$m)** | **% increase** |
|---|---|---|---|
| **Revenue** | 11.2 | 19.0 | N/A |
| **EBITA** | 0.8 | 1.4 | N/A |

Programmed sold the Industrial Services (Barry Bros.) business on 1 July 2008, and three months' contribution is included in the half year results.

## CASH FLOW AND BALANCE SHEET

Gross operating cash flow increased to $43.9 million, reflecting the inclusion of the Integrated Group businesses for the full year. Significantly higher income tax payments resulted in net operating cash flow of $27.0 million.

With the acquisition of Integrated Group, Programmed's net debt grew to $231.1 million at 31 March 2008, resulting in a debt/equity ratio of 91 per cent. Due to the sale of Barry Bros. and increased focus on capital management, the group's net debt fell by 15 per cent to $196.0 million at 30 September 2008. The debt/equity ratio at 30 September 2008 was 69 per cent, a significant reduction for the period. The group will continue to implement capital initiatives – including re-activation of the dividend reinvestment plan – to reduce debt further. Programmed operates well within its banking covenants and its main senior debt facility ($175 million) is not due for renewal until May 2010.

Following the acquisition of SWG, which involved the issue of additional equity and increased goodwill, net tangible assets per share at 30 September 2008 were $0.41, compared with $0.44 at 31 March 2008.

For further information contact:


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*The Programmed Maintenance Group is a leading international provider of staffing and maintenance services. The Group has annual revenue of approximately $1,200 million and employs more than 12,000 skilled and semi-skilled personnel throughout Australia, New Zealand and the United Kingdom. It operates through four divisions:*

*The Property Services division provides maintenance services for more than 6,000 customers in the commercial, industrial, government and educational sectors in Australia, New Zealand and the United Kingdom. The division has 35 branches in Australia, 15 branches in New Zealand and 9 branches in the United Kingdom.*

*The Facilities Management division provides facility and infrastructure management services and consulting services in the fields of facilities management, procurement and strategic asset management, with customers across Australia.*

*The Workforce division is a leader in Australia in the supply of recruitment and labour hire services across a broad range of sectors. Services are provided through a network of over 50 branches employing in excess of 7,000 people daily for clients.*

*The Marine division is a major specialist provider of manning, project management and logistics solutions to the offshore oil and gas sector in Australia and New Zealand.*

*The SWG division is an engineering services business specialising in the provision of engineering, minor capital works and maintenance services to the oil/gas/mining sectors in Australia and Asia.*