PROGRAMMED Group

ASX Release

Wednesday 10 November 2010

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

Dear Sir,

Investor Presentation

Please find attached the slides for the Investor Presentation to be given later today by Mr. Chris Sutherland, Programmed Group's Managing Director, to fund managers and broker analysts in Sydney.

Yours sincerely,
PROGRAMMED MAINTENANCE SERVICES LIMITED

Ian H. Jones

Ian H. Jones
Company Secretary

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Investor Presentation

PRESENTED BY Chris Sutherland
Managing Director

10 November 2010

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This presentation should be read in conjunction with the Announcements issued to the ASX since the 2010 Annual Report, and can be found on the Programmed website: www.programmed.com.au

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Agenda

❶ Property Services strategic review

❷ Trading update

- Property & Infrastructure
- Resources & Industrial
- Workforce

❸ Dividend policy

❹ Outlook

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Property Services Strategic Review

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Strategic review – Property Services

Strategic review, announced in July, has been undertaken to reverse the recent underperformance of the business, which has been caused by:

- Reduced demand
  - Reflecting customers' budget cuts and reluctance to commit to new expenditure in both Australia and New Zealand
  - Decline somewhat offset in FY10 by revenue of more than $15m from government stimulus (Building the Education Revolution)
- Lower indexation revenue (driven by inflation) when cost of finance has risen
  - Indexation revenue declined from 6.1% of contract recoverables in FY06 to projected 3.5% for FY11
  - Existing programmes are less profitable after cost of finance
  - Impacted renewal rates and sales of new programmes, which are priced to reflect the higher finance cost

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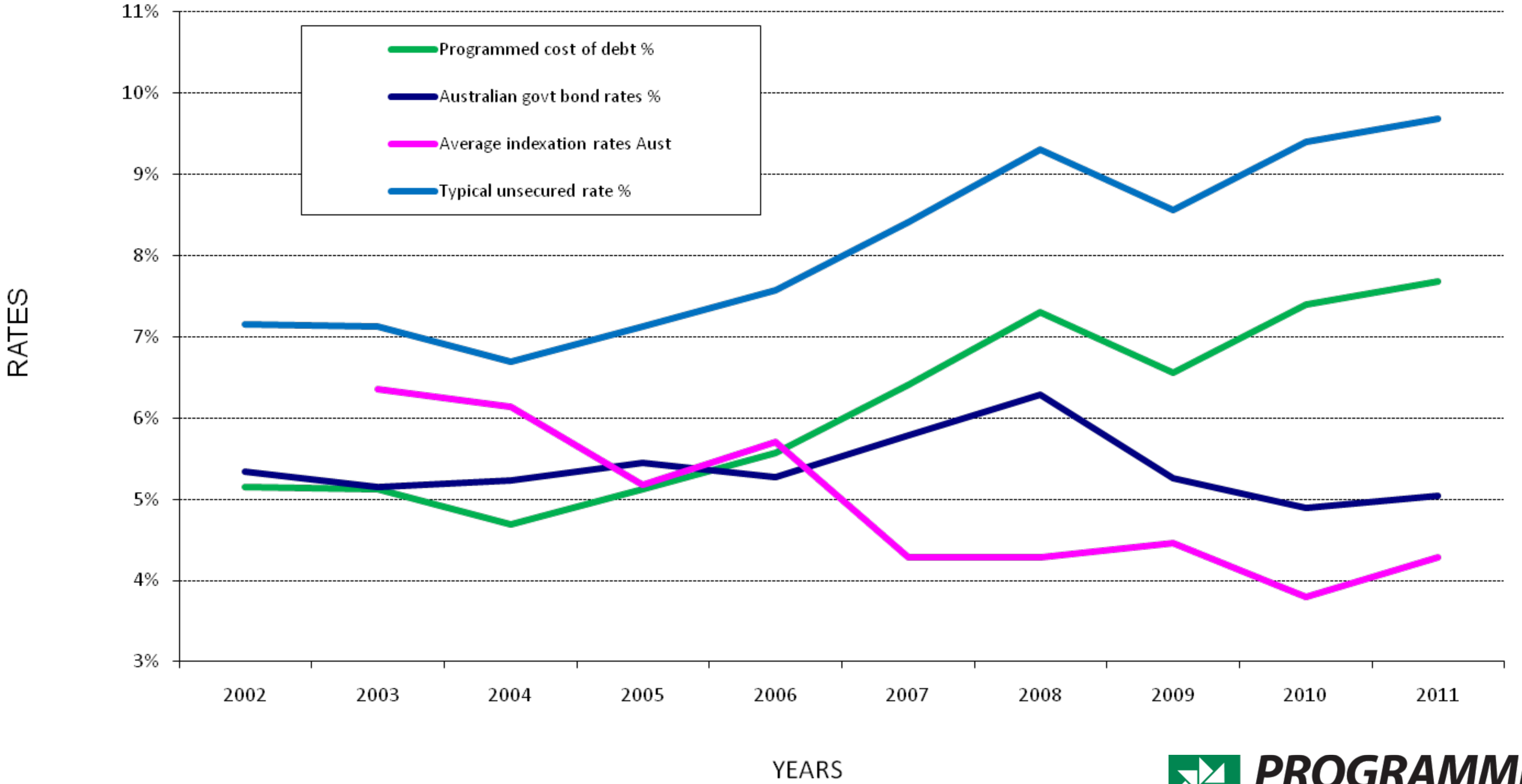
Comparison of interest & indexation

Australia



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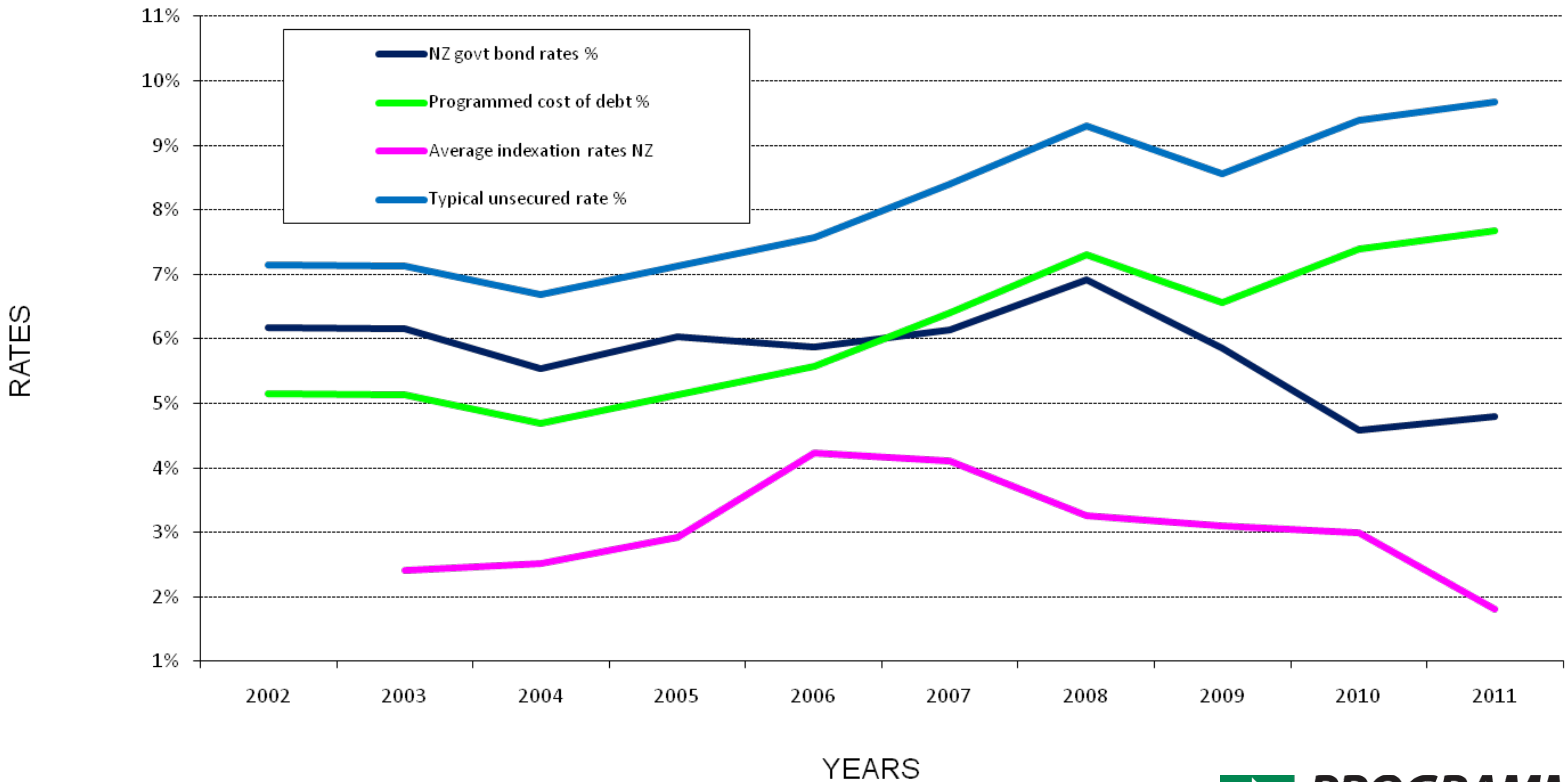
Comparison of interest & indexation

New Zealand



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Strategic review – Property Services

Key Action Items

- ✓ **Fixed overhead reduction**
  - $7.5 million permanent reduction in fixed costs
  - $3.5 million one-off costs (redundancies) incurred in 1H11
- ✓ **New management**
  - Steve Taylor appointed CEO of Property & Infrastructure
  - New sales and finance managers appointed to drive change
- ✓ **Improved internal business system and processes**
- ✓ **Revitalise service offering**
  - New programme models developed to meet customers' diverse requirements

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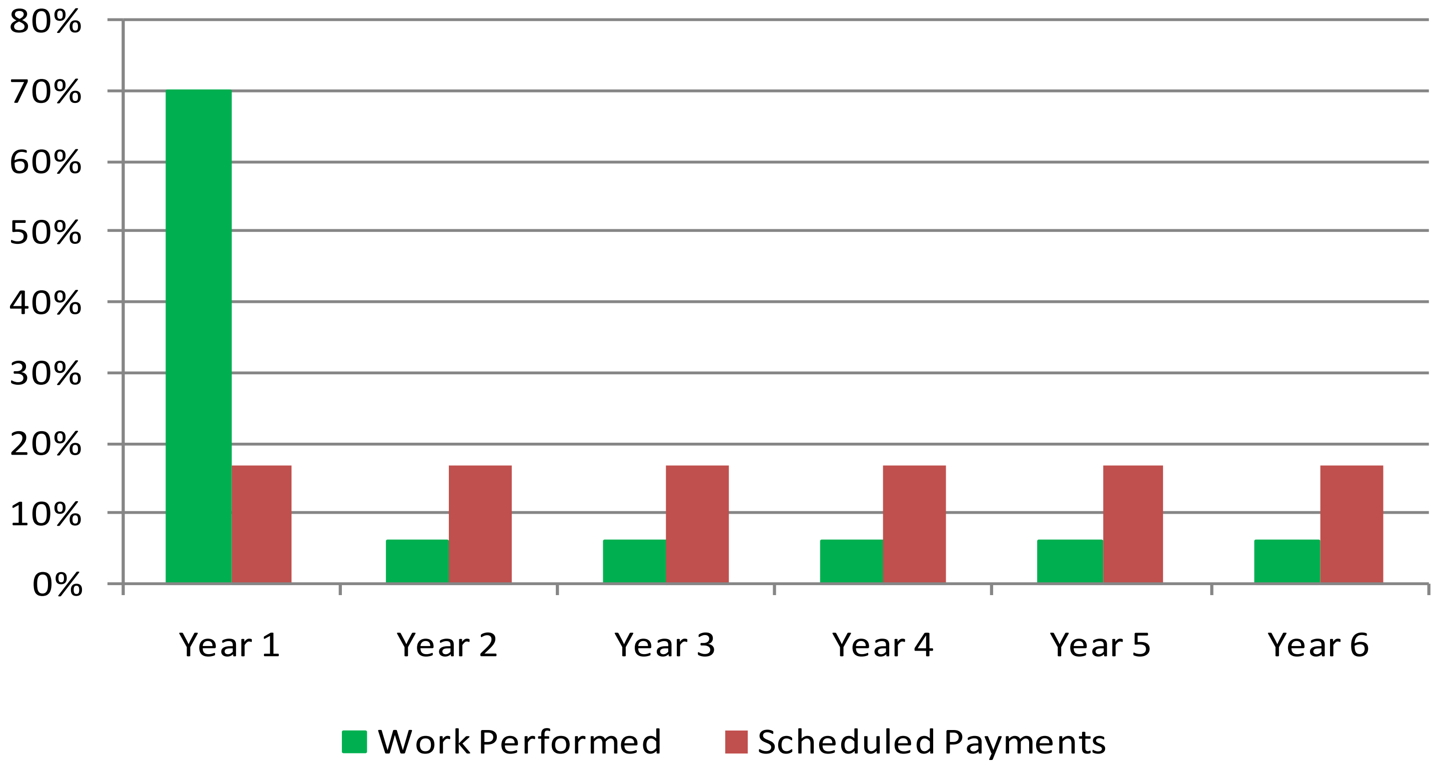
Standard programme model



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Work Performed	70%	6%	6%	6%	6%	6%
Scheduled Payments	16.67%	16.67%	16.66%	16.67%	16.67%	16.66%

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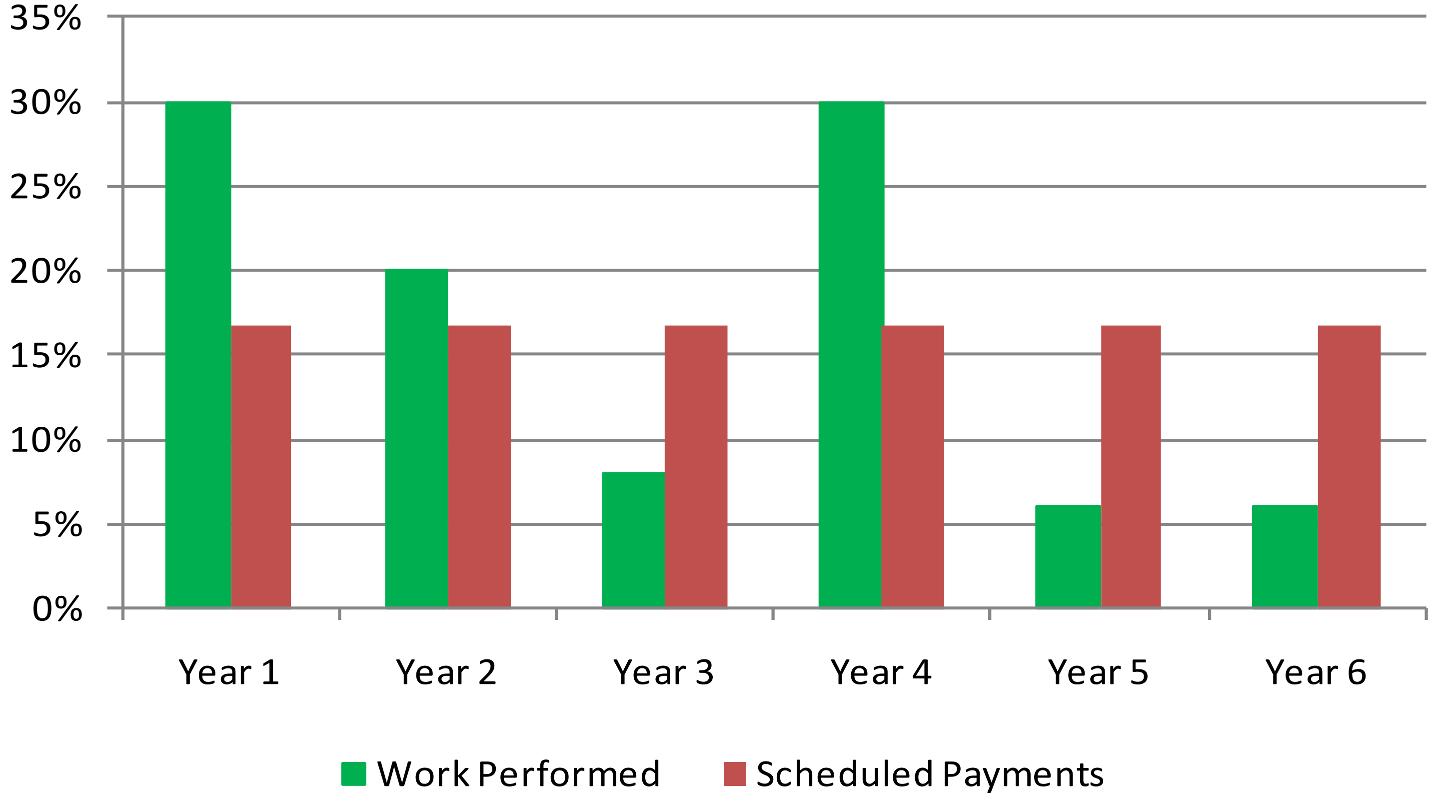
New service offering

Multiple building / site / variable condition model



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Work Performed	30%	20%	8%	30%	6%	6%
Scheduled Payments	16.67%	16.67%	16.66%	16.67%	16.67%	16.66%

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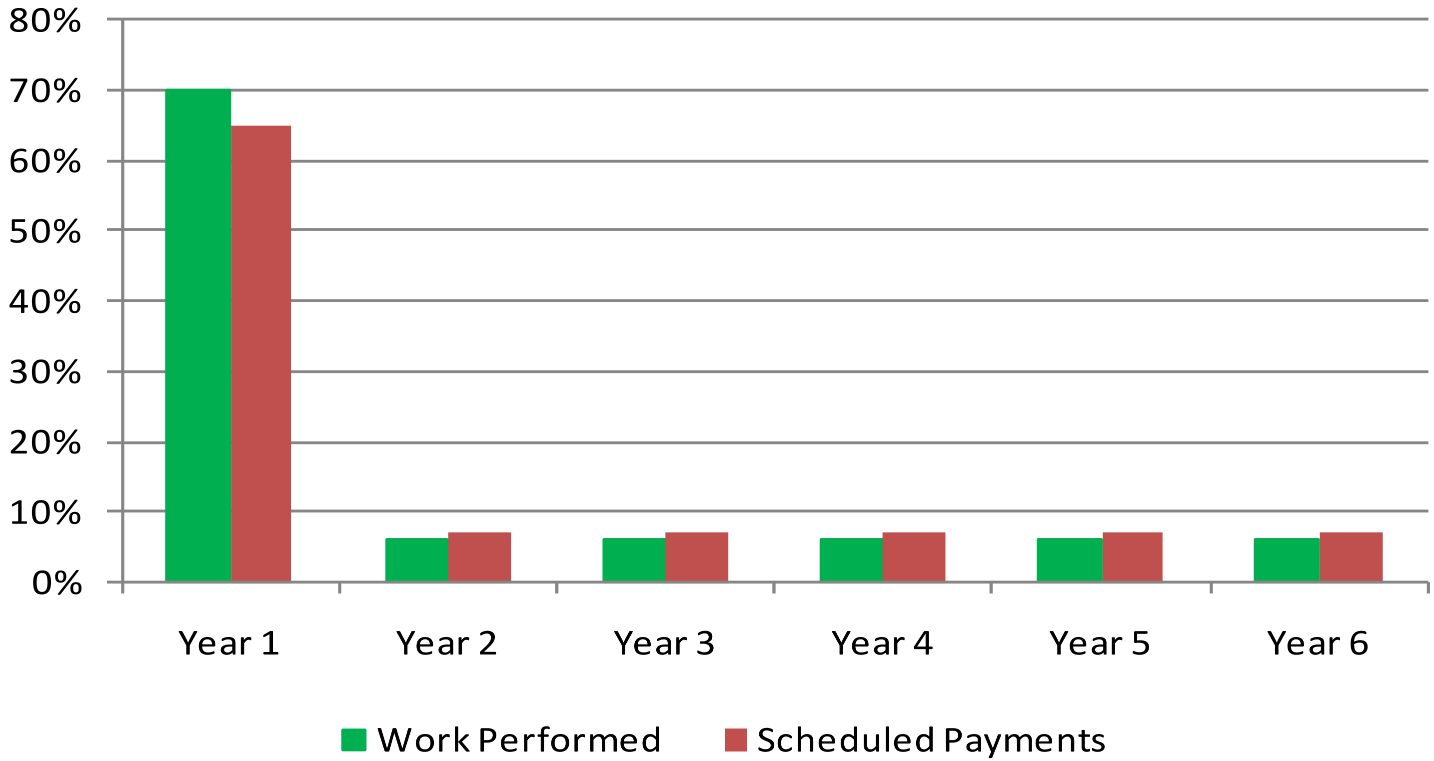
New service offering

Capex / opex model



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Work Performed	70%	6%	6%	6%	6%	6%
Scheduled Payments	65%	7%	7%	7%	7%	7%

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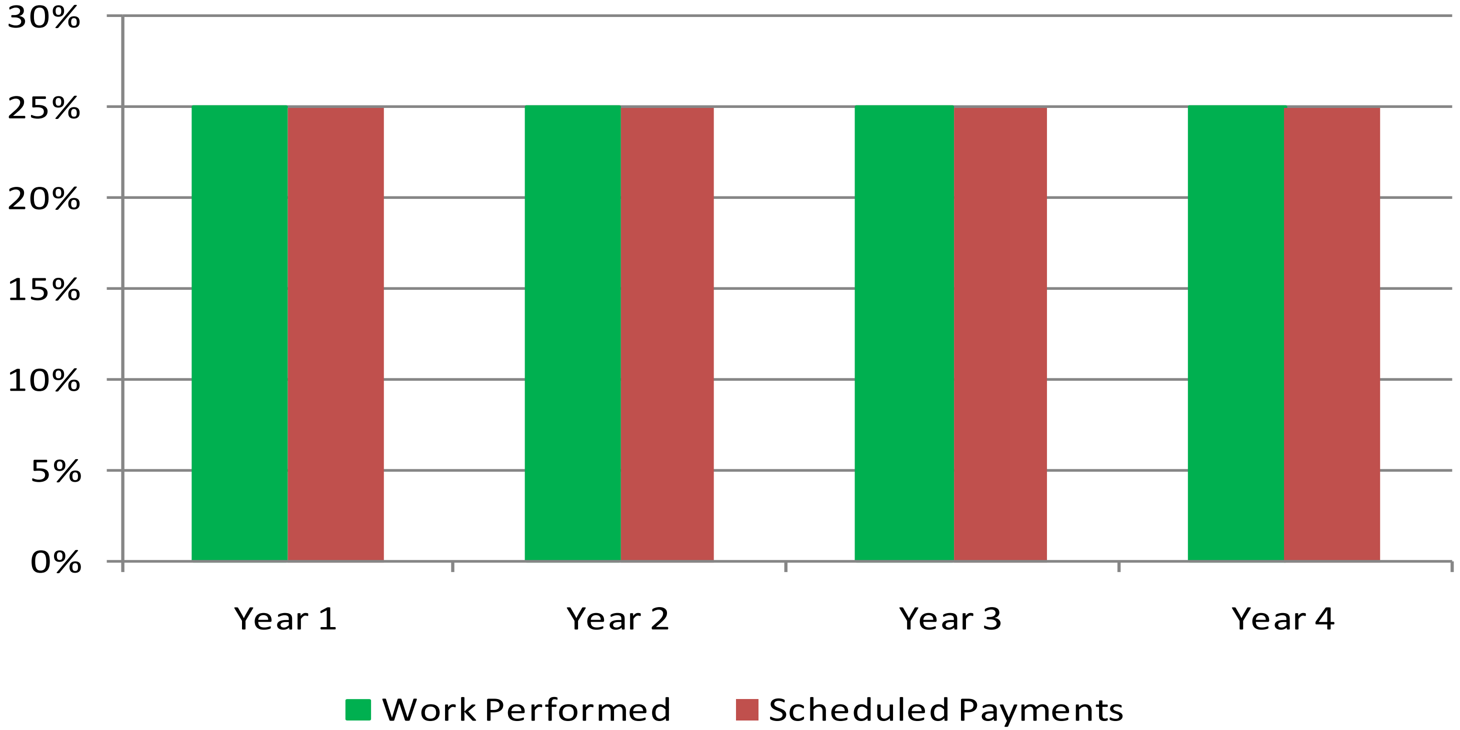
New service offering

New building – service only



	Year 1	Year 2	Year 3	Year 4
Work Performed	25%	25%	25%	25%
Scheduled Payments	25%	25%	25%	25%

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Strategic review – Property Services

Key Action Items

- ✓ **Changed internal reporting to improve business management**
  - Market interest rate to be used in determining price and margin
  - Work and finance margins to be separately reported and managed
- ✓ **Change in accounting policy/external reporting for painting programmes**
  - Current policy determines imputed rate of interest by reference to current cash sales price of services, assumed to be equivalent to the nominal contract value (before indexation)...effect is to make the indexation rate the imputed rate of interest
  - New policy determines imputed rate of interest by reference to prevailing market rates for unsecured debt
  - Fair value of the service revenue is determined by discounting the future amounts receivable by the imputed rate of interest
  - Alignment of reported results with internal management reporting

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Strategic review – Property Services

Accounting policy changes - impacts

Change in policy will have the following impacts on the Group:

- Retrospective application of policy change to prior financial year for comparison
- Non-cash reduction of contract recoverables of approximately $29 million from reduction in service revenue recognised mainly prior to 31 March 2009 and increase in interest income to be recognised in future years
- No impairment as full amount of contract revenue collected in future years
- In lower inflation, higher interest rate environment, reported earnings are less in first year of programmes and higher in later years

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Strategic review – Property Services

Accounting changes – Australian example

Australia (A$'000)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Current Accounting Policy						
Service Revenue	60,000	10,000	10,400	10,816	11,249	102,465
Service EBIT	12,000	1,680	1,747	1,817	1,890	19,134
Indexation Income	0	2,000	1,664	1,298	900	5,862
Earnings Before Interest Expense and tax	12,000	3,680	3,411	3,115	2,790	24,996
New Accounting Policy						
Service Revenue	54,835	10,400	10,816	11,249	11,699	98,998
Service EBIT	6,835	2,080	2,163	2,250	2,340	15,668
Indexation And Interest Income[1]	0	3,483	2,792	1,989	1,064	9,328
Earnings Before Interest Expense and tax	6,835	5,563	4,955	4,239	3,403	24,996

[1] *Assumes indexation and interest rate of 4.0% and 10.0% respectively*

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Strategic review – Property Services

Accounting changes – New Zealand example

New Zealand (NZ$'000)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Current Accounting Policy						
Service Revenue	60,000	10,000	10,150	10,302	10,457	100,909
Service EBIT	12,000	1,730	1,600	1,462	1,315	18,107
Indexation Income	0	750	609	464	314	2,136
Earnings Before Interest Expense and tax	12,000	2,480	2,209	1,925	1,629	20,243
New Accounting Policy						
Service Revenue	52,847	10,150	10,302	10,457	10,614	94,370
Service EBIT	4,847	1,880	1,752	1,616	1,472	11,567
Indexation And Interest Income[1]	0	3,285	2,598	1,828	965	8,676
Earnings Before Interest Expense and tax	4,847	5,165	4,350	3,444	2,437	20,243

[1] *Assumes indexation and interest rate of 1.5% and 10.0% respectively*

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Trading update

Trading update

Preliminary First Half Group Results

Preliminary EBITA (subject to audit review)	1H11 30 Sep 2010[1] $m	1H10 30 Sep 2009 $m	% Change
Property & Infrastructure	9.8	14.5	*(32.4%)*
Resources & Industrial	4.4	12.3	*(64.2%)*
Workforce	5.3	4.0	*32.5%*
Unallocated	(3.9)	(3.5)	*11.4%*
EBITA (before restructuring costs)	**15.6**	**27.3**	**(42.9%)**
Restructuring costs[2]	(15.8)	0.0	
Total Consolidated EBITA	**(0.2)**	**27.3**	**(100.7%)**

[1] *Half year ended 30 Sept 2010 results include 6 months contribution from KLM Group*

[2] *Restructuring costs include costs of exiting discontinuing operations in United Kingdom*

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Trading update

Property & Infrastructure (1H 11 $9.8m v $14.5 pcp)

- Property services 1H results significantly lower than expected
- Strategic review of property services operations completed, with key causes of decline identified
- Cost reduction and other initiatives to benefit 2H property services earnings
- Facility Management (FM) 1H earnings as expected, although lower than 1H10 due to lower revenue from existing long term contracts
- Recently won government FM housing contracts in WA & NSW
- FM 2H to improve with new contracts and Ararat PPP commencing
- Electrical services (KLM) result, from first full half-year under Programmed ownership, ahead of pre-acquisition expectations
- Work in hand at 30 September 2010 of $80m, compared to $45m at the time of purchase (20 January 2010)
- KLM is projected to continue to perform well in 2H

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Trading update

Resources & Industrial (1H 11 $4.4m v $12.3m pcp)

- Marine services revenue in 1H ($75m) was significantly below expectations due to delays from industrial dispute and customers starting offshore construction work
- Second half will see strong uplift in marine services work
  - 'Work in hand' at 30 September 2010 for period to March 2012 is > $350m
  - Substantial opportunities for further work
- Restructure of SWG business, now Construction & Maintenance (C&M)
  - Combined back office with marine business
  - Sold offshore contracting business for $3m cash
  - Restructuring costs of $2.3m in 1H
  - Lowered fixed cost base of business by $5m p.a.
- Expect earnings turnaround of C&M activities in 2H

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Trading update

Workforce (1H 11 $5.3m v $4.0m pcp)

- Pleasing first half trading result, showing growth over 1H 10
- Revenue recovering from 2009 lows as economy strengthens
- Benefits from cost base being reduced in FY 10
- Demand is improving in key mining and construction sectors
- Starting to see some recovery in the SME market

Dividend policy

- 50% dividend payout ratio will apply to earnings before restructuring
- Reflects Board's confidence in future performance and cash flow
- 50% payout expected to result in a fully franked interim dividend of 3 cents per share, similar to the interim dividend for FY 10

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Outlook

Outlook

Updated FY 11 guidance

- Projected 2H 11 EBITA of approximately $30m
- Projected FY 11 EBITA of approximately $46m (before restructuring costs)

Full first half result (Appendix 4D) to be released to market on 24 November 2010

- Full details of change in accounting policy and retrospective application to prior year will be provided

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Questions

Appendix

First Half Result Update

Preliminary Results – Property & Infrastructure

Preliminary EBITA (subject to audit review)	1H11 30 Sep 2010[1] $m	1H10 30 Sep 2009 $m	% Change
Property & Infrastructure			
Property Services	4.8	11.8	*(59.3%)*
Facilities Management	2.1	2.7	*(22.2%)*
KLM Group	2.9	0.0	
EBITA (before restructuring costs)	**9.8**	**14.5**	**(32.4%)**

[1] *Half year ended 30 Sept 2010 results include 6 months contribution from KLM Group*

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First Half Result Update

Preliminary Results – Resources & Industrial

Preliminary EBITA (subject to audit review)	1H11 30 Sep 2010 $m	1H10 30 Sep 2009 $m	% Change
Resources & Industrial			
Marine	6.2	11.4	*(45.6%)*
Construction & Maintenance	(1.8)	0.9	*(300.0%)*
EBITA (before restructuring costs)	**4.4**	**12.3**	**(64.2%)**

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First Half Result Update
Restructuring costs

The aggregate accounting impact in 1H11 of the restructuring will be a pre-tax expense of $15.8m

	Pre-tax accounting impact ($m)	Note
Restructuring costs – Property Services	3.5	$7.5m annualised savings
UK exit costs (announced May 2010)	10.0	$5m future cash return to PRG
Restructuring costs (announced May 2010) – Construction & Maintenance	2.3	$3m cash received for sale of offshore contracting business and $5m in annualised savings
Total restructuring costs (1H11)	**15.8**	

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