ASX Release

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CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS TO ANNUAL GENERAL MEETING - WEDNESDAY, 7 AUGUST 2013, 10.00AM WST

CHAIRMAN'S ADDRESS BY BRUCE BROOK

Good morning Ladies and Gentlemen. I am your Chairman, Bruce Brook and it is my pleasure to welcome you to the fourteenth Annual General Meeting of Programmed Maintenance Services Limited as a listed company.

2013 Performance
Let me now turn to the Company's performance.

I am pleased to report that our Company increased its after-tax profit by 3%, strengthened its balance sheet and increased its dividend during a year when a large number of our customers faced challenging market conditions.

We have witnessed first-hand the strength of resources investment, particularly in the offshore oil and gas sector, along with the weakness and structural changes that are occurring across the retail, manufacturing and light industrial sectors of the economy. This was reflected in a 10% increase in earnings by our Resources division, while earnings by our Property & Infrastructure division were down 14% and our Integrated Workforce division's earnings were down 5%. The Resources division contributed 48% of group earnings.

Programmed's good overall operational performance has enabled further debt to be paid down and an increase in our final dividend to 10 cents per share, bringing total dividends for the year to 15 cents per share fully franked, up from 13 cents per share for FY2012.

Our ability to offer staffing, maintenance and facility management services to all sectors means that Programmed's performance does not depend on one group of customers or one industry sector. Thus we continually fine-tune our strategy and focus on the markets and customers where we believe there are the best opportunities. This gives the group resilience and helps it to continue to grow through the business cycle.

Substantial investment is occurring in both resources and public infrastructure, and these new assets will need to be operated and maintained, often for 40 plus years. In addition, existing public infrastructure assets are aging and maintenance expenditure is forecast to increase to keep them functioning. Therefore, our strategy includes focusing on the staffing, maintenance and facility management requirements of resources and public infrastructure assets.

As emphasised in this report, the safety of our employees is a priority for the Company. The Board monitors closely our safety performance, and I am pleased to note further progress towards our goal of zero harm, although sadly we experienced a fatality, which will be further covered by our Managing Director.

We have continued renewal of the Board and its processes. I would like to thank Susan Oliver who retired from the Board in August 2012 after 13 years of dedicated service to the Company from its listing in 1999, and we welcome Andrea Grant and her appointment as chair of our revised Remuneration Committee and await the outcome of her re-election here today. As a major people business, we sought someone with significant HR / IR experience and we're pleased to find someone of Andrea's expertise and knowledge.

AGM resolutions

Now to the meeting agenda.

There are five items of business that we need to consider today. These items concern the financial statements and the remuneration report, followed by the re-election of two directors, and the grant of performance rights to the managing director. I will ask you to vote on resolutions related to these items later in this meeting.

The purpose of these resolutions is outlined in the notice of meeting sent to you and I will be happy to take questions on them during the formal part of the meeting.

I would like to briefly touch on the grant of performance rights to the managing director. Your directors - with the exception of Chris Sutherland, who was excluded from these discussions - believe that the continued success of the Company will depend in large measure on the skills, motivation and leadership of the managing director in overseeing the management of the Company's operations and strategy.

We took into account the nature of the managing director's position, the function and purpose of the long-term incentive component of the Company's remuneration strategy, benchmarking against the practices of its Australian peer companies and other relevant information provided by external remuneration consultants.

Your non- executive directors consider that the grant of these performance rights is an appropriate form of remuneration and is part of a reasonable remuneration package for Mr Sutherland.

In the non-executive directors' view, it is in the best interests of shareholders to approve the share based long-term incentive arrangement for the Company's managing director because it appropriately aligns his remuneration with shareholder returns. The Company must achieve significant performance improvement for the long-term incentive components to become exercisable. The non-executive directors therefore recommend that shareholders approve this resolution.

Conclusion

Ladies and gentlemen, our team is continuing to respond appropriately to the challenges thrown at us by the external business environment, and I am confident that the Company is in good hands and has a strong future.

Before I conclude and hand over to Chris, I would like to thank him and his entire team for their support and commitment to customers and shareholders and look forward to the Company's continued growth over the next few years.

I also note his leadership in voluntarily forfeiting his right to a bonus last financial year, which was accepted by the Board. This demonstrates his own personal values as well as alignment with shareholders and the wider community, in light of continuing challenging economic conditions.

I would also like to thank our shareholders for their continuing support.

Bruce Brook
Chairman

MANAGING DIRECTOR'S ADDRESS BY CHRIS SUTHERLAND

Let me first address our safety performance.

Safety
Our work on safety processes and safety leadership at all levels of the Company, along with previous improvements, produced a 41% fall in our lost time injury frequency rate (LTIFR) from 4.3 to 2.6 on over 26,000,000 man hours worked.

Equally pleasing was a 30% fall from 40 to 28 in the total injury frequency rate (TIFR), which includes all lost time, medical treatment and first aid injuries.

Whilst the results show that we are heading in the right direction, we know we have a lot more to do.

It was with great sadness that we reported a fatality in our marine operations during the financial year. Tragically, Peter Meddens was killed on an oil rig in the Bass Strait and our prayers and support remain with his family.

This tragedy reinforces our resolve to do everything we believe is possible to prevent workplace accidents; it also reminds us of the need to ensure that focus on eliminating or controlling critical risks is not lost among many other day-to-day processes, regulations and reports.

Strategy
As a listed public company with over 5,000 shareholders, we recognise our primary purpose is to deliver satisfactory returns to our shareholders over the long term.

To achieve this, we have a vision to become a leading provider of staffing, maintenance and facility management services, without injury.

Our business is built around the provision of people. Customers contract our staffing service, a task-based service or a complete management or maintenance solution, often under a long-term contract.

No matter what the service, we want our customers to value the "Programmed Difference". These are;

1) our ability to recruit and develop people;
2) our ability to deploy the right person with the right competency to each job;
3) our ability to get safety right on the ground;
4) our ability to manage industrial relations in an increasingly difficult environment;
5) our ability to manage human resources in an increasingly regulated environment;
6) and our ability to deliver operational improvements, flexibility and high levels of satisfaction to our customers.

It is the "Progammed Difference" that creates additional value beyond the particular technical / maintenance / operational service we may be providing. This is the key ingredient that we bring to all our services.

We maintain that it is important for our shareholders that we serve all industry sectors, as this reduces the risk of us being over-exposed to one sector or one group of customers. This means of course that at any particular time we can have parts of our business doing well and other parts not so well, but this balance reduces the risk in owning our shares.

The benefits of our diversity across industry sectors have never been more noticeable than in our recent history.

Our strategic plan is adjusted continually to respond to changing external conditions and priorities.

Over the past year, many of the industries in which our customers operate have changed rapidly as they respond to the relatively high Australian dollar, to online sales / market disruption caused by digital technologies, and to a smarter, more value conscious consumer. This has weakened demand for services in the industries that face these challenges.

However, demand for our services in the resources sector has remained strong and we have good visibility of significant work opportunities for our services, particularly in offshore oil and gas; and we expect the significant public infrastructure investment pipeline to continue for more than 10 years to meet the challenges of an aging population and aging infrastructure.

Taking all these factors into account, our strategy now has four core components;

Safety – We need to have every employee come home uninjured every night as a basic tenet of our operations. This also means our productivity improves and our costs are lower. Customers will hire Programmed because we work safely and can help them improve the safety of their own operations. We have a plan to improve our safety performance further, built on ensuring the right leadership behaviours and a deeper understanding of our critical risks. It strengthens the "Programmed Difference".

People and Culture – As we are an organisation that has come together through a number of acquisitions, and we continue to recruit many new people, we need to ensure our people develop similar positive attributes. Our customers must experience similar core values, good service and the "Programmed Difference", no matter who or where they may have contact with us.

Systems and Integration – We aim to adopt uniform administration processes where it makes sense to do so. We are continuing to invest in our business systems to enable greater centralisation of administration processes, lower costs and better service. We are also looking to build new sales channels and online service delivery.

Growth – we have four components of our growth plan:

1) Marketing and customer development - Having refreshed the Programmed brand in the past 12 months, we now plan to invest further in strategic marketing of our services across the group, and also to specific industry sectors and specific customers based upon the "Programmed Difference".
2) Build scale - We have a workforce / HR platform that is readily scalable and we will seek to increase the workforce services we provide to grow earnings and lower our average unit operating cost.
3) Expansion in resources – The new assets that have been built will require operations and maintenance support for the next 20 to 40 years. We are seeking ways to provide staffing, maintenance and FM services to support these operations.
4) Expansion in public infrastructure – Maintenance expenditures are forecast to grow significantly in most classes of public infrastructure, including health, education, water, justice, public housing, ports and transport. We have been successful recently in securing major contracts involving public infrastructure and will seek further ways to participate in its staffing, maintenance and facility management.

People

Now I wish to comment about our people.

Programmed's business is built on the efforts and capabilities of over 11,000 employees, and their support and development is a key priority to ensure we can deliver our services effectively.

The group's investment in training and development is widespread, with more than 8,000 training activities delivered last year.

Our third group of future managers have nearly completed our 18 month "momentum" leadership development program, and we have continued to train many of our tradesmen and supervisors in customer service, contract management and frontline supervision.

We currently employ more than 500 apprentices and trainees across 15 vocations.

Diversity remains a key focus, with our gender and indigenous diversity well ahead of many peers, but we still need to do more. We are working with some of Australia's leading organisations to improve the diversity of our team.

One disappointing feature of the past year was the rise in the number of industrial employment matters that resulted from an increasing array of complex regulatory requirements of the Fair Work Act. Increasingly, matters not pertaining to general wages and historically normal employment conditions are at the heart of these disputes; they are often technical and legalistic in nature which makes them more difficult and expensive to resolve, and a pattern has developed where the worker's union or legal representative seeks an upfront payment to resolve the matter.

Our marine EBA has just expired and we are currently in negotiations for a new agreement. These are difficult negotiations and there is some risk of industrial action with associated short-term revenue and cost impacts during this period.

Group results
Now let us consider our financial performance in more detail.

Profit after tax for the year ended 31 March 2013 was $32.1 million, an increase of 3% over FY2012 ($31.2 million).

EBIT (earnings before interest and tax) was $52.0 million, down 8% compared with $56.7 million in FY2012, after expensing restructuring costs of $2.6m (nil in FY2012).

Revenue was $1,517 million, an increase of 9% over FY2012 ($1,394 million).

The highlight of the result was another strong performance by our Resources division where we increased earnings by 10% on last year's strong result.

Whilst margins were weaker in the Property & Infrastructure division, we succeeded in continuing to win our share of property maintenance work in a competitive environment and also benefited from recent long-term contracts in the water and Public Private Partnership sectors.

The Integrated Workforce division's earnings were lower in a market where margins were weaker than the prior year.

Balance sheet and cash flows
Gross operating cash flow was $90.6 million, 25% higher than FY2012 ($72.6 million) and 141% of EBITDA. Net operating cash flow was $56.9 million, up 18% on FY2012 ($48.3 million).

With the continued focus on capital management and further returns of capital from the contract recoverable associated with the long term painting maintenance programs, the group's net debt reduced to $67.1 million at 31 March 2013, from $87.8 million at 31 March 2012. The net debt to equity ratio fell to 17.1% from 23.5%.

The group's bank facilities extend to October 2014 and include three tranches aggregating $250 million. Additionally, a $20 million asset finance facility supports the purchase of plant and equipment.

The group operated throughout the year well within its loan covenants.

Conclusion
So in conclusion, the Company believes that maintenance of net profit, along with a reduction in debt and an increase in dividend, represents a good result for shareholders in challenging market conditions and we thank them for their support.

We also thank each one of our 11,000 + employees for their continuing commitment to serving our customers in a safe manner.

Outlook
Now a comment on our Outlook.

Whilst current activity level in some of our sectors remains subdued, we have good visibility of future work from both the oil and gas and public infrastructure sectors.

To highlight this point further, we commence during this year, new 25 year PPP contracts for two NZ schools and a Victorian prison.

Additionally, we are continuing major marine operations associated with the Gorgon development until near the end of this year and we will then follow on to work associated with Wheatstone. Significant work associated with the Ichthys project, offshore Darwin remains in the tender pipeline to follow the Gorgon and Wheatstone projects.

Our business model, providing staffing, maintenance and facility management services across all industry sectors, gives Programmed considerable strength and we will continue to manage the group conservatively, while taking advantage of growth opportunities that arise.

Chris Sutherland
Managing Director