



PROGRAMMED
Group

MANAGING DIRECTOR'S ADDRESS

TO THE ANNUAL GENERAL MEETING

7 AUGUST 2009

Thank you for taking time to attend our 2009 AGM.

REVIEW SUMMARY

Our 2009 financial year has been a significant year for the group.

We are very pleased with the financial results, with the benefit of our diversity and long term contracts shining through to deliver organic revenue and EBITA growth despite a significant slowing of the general economy occurring during our second half period.

In particular, it is pleasing to note that our plan over the past 12 months to improve returns on capital, reduce net debt and lower our net debt to equity ratio has been very successful.

Equally as important, we are pleased with the changes and improvements made inside the business over the year.

We have established a clear vision and strategy focused on staffing, maintenance and project services.

We have an improved organisational structure with stronger responsibility down the line and management teams in each operating division responsible for their profit, balance sheet and cash flow, and each with their own plans to grow.

Having laid down the IT infrastructure to connect the entire group in the first half, we are now developing opportunities to leverage the size and scale of the group to lower our costs and improve our service outcomes.

We are now seeking contracts using the group capability and by a group effort and response. We are creating more synergies in co-locating business units into common facilities as existing property leases expire.

We acquired SWG to diversify our services further into the energy and resources sector for 7.8 million shares.

We sold Barry Bros, a very capital intensive business, for \$25 million as it did not fit the vision or make a return in excess of our cost of capital.

And more recently we responded quickly to lower our cost base due to changed market conditions in some sectors.

Overall an exciting and challenging year....and one in which we also responded to an unsolicited takeover offer.

DIVISIONAL PERFORMANCE

The Property Services division grew earnings (EBITA) 6%. The Australian business grew strongly securing new contracts in schools, universities, aged care, local councils and food retailing sectors. However this was slightly offset by small declines in New Zealand and United Kingdom. Our capability to undertake a long term painting maintenance programme for a single building or multiple sites across Australia, New Zealand and United Kingdom remains a key attraction for our customers. More recently in the last three months, we have secured a number of painting contracts arising from recent Australian government education sector spending.

The Facility Management division grew earnings 59%. Our strategy to extend our service offering to complete property maintenance and facility management solutions is gaining momentum. Our national footprint and capability to directly deliver services is winning customers. A number of new contracts were secured covering in total more than 1000 retail sites and 6000 public houses. A range of new opportunities have now been tendered over the past three months.

The Workforce division grew earnings 3% on a full year comparative basis, however, it was a tale of two halves with strong growth in the first half followed by a decline in revenue and earnings in the second half. The division saw declines primarily in the transport and mining sectors. In response the fixed cost base of the business was substantially reduced, new sales strategies have been introduced and the business seeks to develop new customers who seek greater flexibility with their labour costs. Demand has remained flat over the past three months.

The Marine division had an outstanding year and grew earnings 30% on a full year comparative basis, operating in very strong offshore oil and gas markets particular the North West Shelf, Australia and offshore New Plymouth, New Zealand. The business increased its book of long term contracts during the year and will continue its focus on developing long customer relationships as new offshore fields are completed over the next year. Currently, our workload for this year is nearly all secured and we are seeking new work in subsequent years associated with a number of major offshore field developments.

The Engineering Services division made its maiden contribution to the group of \$4.3 million in its first nine months of trading, representing a positive earnings per share result. After a strong three month

contribution to the first half result, a weaker second half followed as some onshore resources work was suspended and some of the pipeline of opportunities was deferred. The business has made the necessary adjustments to the cost base to reflect the current reduced demand. Our strategy to expand Programmed's footprint into the resources industry remains unchanged despite the recent reduction of opportunities in the short term. In this industry, whilst the work is technical (and hence engineering led), we bring our group skills around the recruitment and management of skilled workers to the worksite in much the same way as our other divisions. Just this week we received advice that work in the resource sector previously suspended in January was being restated for completion over the next few months.

These results highlight the benefit of the diversity of services and industries that we operate within.

CAPITAL MANAGEMENT

We put in place a plan in March 2008 to improve returns on capital and reduce our net debt

The first leg of this plan was to strengthen operating cash flow the lifeblood of any business. An improvement of 44% to a record \$82.4 million was achieved representing more than 100% of EBITDA. This is the direct result of real improvements arising from a year long plan to improve the management of our working capital.

Making divisional management responsible for cash flow, reporting cash flow and associated KPI's at a divisional level, introducing new expertise into processes around the collection of debt, strict control of payment terms in contracts and tighter controls of capital expenditures and painting program investment have all contributed to the success we have achieved.

The second leg of this plan was to divest Barry Bros, a very capital intensive business, for \$25 million, as it did not make a return in excess of our cost of capital.

The third leg was to divest of properties which were outdated and surplus to our needs. A property in Western Australia was sold for \$1.3 million in December 2009 and two properties in Victoria have been prepared for sale. Offers for both properties have been received for in excess of \$5 million and one property settled this week and we expect to complete the sale of the other in the coming months.

The improvements in cash flow and the sale of Barry Brothers have flowed into the balance sheet. Significantly net debt fell from \$231 million to \$177 million in the year, and net debt to equity fell from 91% to 62% which positioned us well to respond further to the significant changes in debt and equity markets experienced since September 2008.

Importantly the company enjoys strong support from its two Australian banks and has renewed its debt facilities on acceptable terms until May 2012. We completed the legal documentation for these facilities last Tuesday, 4 August.

HEALTH, SAFETY AND ENVIRONMENT

We continue to review our systems and processes to improve our health, safety and environmental performance and strive to achieve our goal of zero harm. A further year on year reduction of our Lost Time Injury Frequency Rate was a strong result but some serious injuries demonstrates that we must not become complacent. Continued, visible leadership in safe behaviour from all staff is the cornerstone of further improvement.

We have undertaken an analysis of the major impacts we have as a group on the environment and are establishing a common plan to reduce our impacts and work in a more sustainable way.

Our people have performed extremely well through a year in which there was a period of uncertainty due to an unsuccessful takeover offer followed by a rapid decline in the general global economy and more recently some redundancies as we restructured our business.

We continue to support our staff and the work they do in many charities, schools and community sporting and cultural organisations. I thank all our team for their support and dedication.

In February this year, one of our directors Neil Hamilton retired from the Board. I would like to thank him personally for his tireless efforts over ten years for Integrated and more recently Programmed and his direct support to myself over the past three years.

Finally, we look forward to this year in a strong position to face new challenges and develop new opportunities. It will be the organisations that are agile and can adapt quickly to see and take advantage of new opportunities that will prosper over the coming year.

Chris Sutherland
Managing Director
7 August 2009