ASX Release

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Programmed Maintenance Services Ltd
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First half NPAT $12.3 million, up 6%

- **Revenue up 16%**
- **EBIT before restructuring costs down 10%**
- **Strong performance by Resources division; margins lower in other divisions**
- **Previous guidance of moderate net profit growth for the full year maintained**
- **Interim dividend 5 cents per share, fully franked, same as prior year**

Programmed (ASX:PRG), which provides staffing, maintenance and project services, today announced an after-tax profit of $12.3 million for the six months to 30 September 2012, an increase of 6% over the first half of FY2012 ($11.6 million).

Revenue was up 16% to $757.7 million, with strong growth by the Resources division. While the Property & Infrastructure and the Workforce divisions both increased their revenue, their margins and earnings were lower due to difficult market conditions. As a result, the group's earnings before interest and tax (EBIT) were 15% lower at $20.4 million. Before the restructuring costs of $1.2 million, EBIT was 10% lower at $21.6 million.

Interest paid was down 30% to $5.1 million due to strong cash flow, lower debt and lower rates on the new bank facilities negotiated in October 2011. Income tax was $3.0 million, down from $5.0 million in the first half of FY2012 due to a benefit of $1.7 million from tax losses carried forward from previous years.

The board has determined to maintain the interim dividend at 5.0 cents per share fully franked, payable on 25 January 2013 to shareholders on the register at 9 January.

Chris Sutherland, managing director of Programmed, said: 'This result again demonstrates the strength of Programmed's business model, providing services across all industry sectors. While market conditions in the retail, manufacturing, light industrial and transport sectors have remained weak and the building and non engineering construction sector has weakened considerably since the beginning of this calendar year – as reported at our annual general meeting in August – we have continued to achieve strong growth in the offshore oil and gas sector'.

'With margins under pressure in our Property & Infrastructure and Workforce divisions, and wage inflation exceeding CPI in some sectors, we have taken steps to reshape the two divisions and reduce their cost bases, as signalled at the annual general meeting. This has resulted in savings totalling approximately $6 million annualised, which will benefit the second half, and a restructuring charge of $1.2 million before tax'.

Outlook

'For the year to 31 March 2013, we maintain our original projection, which was confirmed at our AGM in August, of moderate net profit growth,' said Mr Sutherland. 'All three divisions are expected to report stronger earnings in the second half than in the first half, with the Property & Infrastructure division benefiting from its typical seasonal increase in work and a lower cost base, the Workforce division benefiting from a lower cost base and the Resources division likely to have increased offshore oil and gas activity. Our projection assumes there is no further weakening in some of the Property & Infrastructure and Workforce divisions' major markets.'

Group Results	1H FY13 30 Sep 2012 $m	1H FY12 30 Sep 2011 $m	% change
Revenue	**757.7**	**652.3**	**16%**
EBITDA (before restructuring costs)	**27.9**	**29.5**	**(5%)**
Depreciation and Amortisation	(6.3)	(5.6)	(13%)
EBIT (before restructuring costs)	**21.6**	**23.9**	**(10%)**
Restructuring costs	(1.2)	0.0	
EBIT	**20.4**	**23.9**	**(15%)**
Interest	(5.1)	(7.3)	30%
Profit Before Tax	**15.3**	**16.6**	**(8%)**
Income Tax Expense[1]	(3.0)	(5.0)	
Profit After Tax	**12.3**	**11.6**	**6%**
Earnings Per Share	**10.4**	**9.8**	**6%**
Weighted Average Shares on Issue (million)	118.2	118.2	

[1] *1H FY13 includes $1.7m tax benefit from utilisation of tax losses carried forward from prior years*

Property & Infrastructure	1H FY13 30 Sep 2012 $m	1H FY12 30 Sep 2011 $m	% change
Revenue	372.1	321.6	16%
EBIT	8.3	12.3	(33%)

The Property & Infrastructure division consists of Programmed's Property Services business, the KLM electrical and communication business and the Facility Management business.

Margins in the Property Services business in Australia and in the KLM business were affected by the downturn in the building and construction sector, which led to increased competition from building contractors seeking to maintain volumes. In response, the cost base of these two businesses has been reduced by $5 million annualised.

In addition to margin pressure, KLM's performance suffered from industrial disputes and other factors at major building projects in Melbourne and Brisbane which caused delays and cost over-runs. A number of contract claims have been made that will lead to the recovery of some of these extra costs but, while the full cost has been booked in the first half, a conservative approach has been adopted and full recovery has not been assumed.

Turnpoint, which was acquired in April 2012 and which provides landscaping, construction and maintenance services for golf courses, horse race courses and sports stadia, contributed earnings of $1.2 million, in line with expectations.

Importantly, lower demand for painting maintenance programmes reduced contract recoverables, releasing approximately $10 million during the half year for investment in other parts of the group. While current economic conditions have reduced demand for painting maintenance, the painting business is seeking new opportunities while continuing to monetise contract recoverables, which totalled $120 million at 30 September 2012.

The Facility Management business performed well, with substantial increases in revenue and earnings. The WA Water Corporation work is proceeding well since commencing in February 2012 and our New Zealand school PPP contract is on track to commence in February 2013. The Ararat Prison contract has been renegotiated and new opportunities are being pursued, especially in the water sector and other public infrastructure.

Resources	**1H FY13 30 Sep 2012 $m**	**1H FY12 30 Sep 2011 $m**	**% change**
Revenue	179.2	138.6	29%
EBIT	14.0	10.7	31%

The Resources division, which provides workforce, maintenance, construction support and operational services, continued to perform strongly, benefiting from a number of major offshore oil and gas developments off the north-west of Australia. Work on Programmed's pipelay marine service contract for the Wheatstone LNG project is due to begin in the middle of next year, following completion of some of the major parts of the group's work on the Gorgon project early next year. A number of variations to existing contracts both offshore and onshore, if approved, will also contribute to future earnings.

The tender pipeline for offshore and onshore work extends to 2016. Whilst much of this pipeline relates to the capital construction phase of a number of projects, the division plans to target long-term maintenance contracts – both offshore and onshore – as the construction of new assets is completed.

The division's marine EBA (Enterprise Bargaining Agreement) will expire on 30 June 2013 and we have commenced informal discussions regarding a new agreement.

Workforce	1H FY13 30 Sep 2012 $m	1H FY12 30 Sep 2011 $m	% change
Revenue	204.6	190.6	7%
EBIT	4.6	6.0	(23%)

The Workforce division provides staffing services across most industry sectors, and particularly the manufacturing, light industrial, transport and logistics, construction and mining sectors.

Earnings were affected by weaker economic activity and by a change in the revenue mix, with lower demand by small and medium size enterprises, where margins tend to be higher, and an increased proportion of revenue coming from contracts with larger national companies. Growth in online sales and lower output in the manufacturing, construction (non engineering) and building material sectors have reduced demand for blue collar casual staff across a wide cross section of manufacturing, light industrial, building materials, warehousing and logistic customers.

Following a reduction of $1 million annualised in costs, the division has a low cost base and is well placed to increase its earnings when business confidence returns and economic activity improves.

Unallocated costs

These relate to corporate overheads and a range of non-trading income and expenses, including foreign exchange movements from UK and New Zealand payments and amortisation of contract intangibles. Net unallocated costs for the period were $5.3 million (1H FY12: $5.1 million).

Balance sheet and cash flow

Gross operating cash flow was $40.8 million, an increase of 23% over the first half of FY2012 ($33.1 million). Net operating cash flow was $19.1 million, compared with $16.9 million.

The group's net debt at 30 September 2012 was $95.9 million, compared with $110.0 million at 30 September 2011 and $87.8 million at 31 March 2012. The net debt: equity ratio at 30 September 2012 was 25.5%.

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