ASX Release

47 Burswood Road
Burswood WA 6100
T (08) 9216 2100
F (08) 9216 2186
www.programmed.com.au

Programmed Maintenance Services Ltd
ACN 054 742 264

CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS TO ANNUAL GENERAL MEETING – WEDNESDAY, 29 JULY 2015, 10.00AM EST

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 16th Annual General Meeting of Programmed Maintenance Services Limited as a listed company.

I will start with a review of the company's performance during the year to 31 March 2015, and then will outline the considerable value that will be unlocked for both Programmed and Skilled shareholders through combining the two companies.

As you will be aware, we are witnessing significant changes across the Australian economy. The country is having to adjust to lower prices for our natural resources, a lowering of the significant mining capital expenditure of the past few years and a reduction in the global competitiveness of our manufacturing sector.

Programmed's business model has helped us prepare for these adjustments by providing staffing, maintenance and facility management services to all industry sectors, in all geographic locations and across a large diverse set of customers. We can manage downturns in one sector by focusing on opportunities in other sectors where growth is occurring.

Thus, we reported revenue that was similar to the previous year at $1.434 billion and after-tax profit of $30.4 million, before non-trading items, down just 4.7% on the previous year. An 18% fall in earnings from our Resources division was offset by a 16% increase from our Property & Infrastructure division.

After non-trading items, net profit after tax was $25.7 million. These non-trading items related to restructuring costs, an earn-out incentive payment to the former owner of Turnpoint, settlement of a liquidator's claim arising from a payment received in 2008, and a tax credit.

Importantly, our gross operating cash flow was very strong at $80.9 million, representing 146% of earnings before interest, tax, depreciation and amortisation. We paid down debt to just $7 million at 31 March 2015, resulting in a net debt to equity ratio of just 1.7%. We also increased our final dividend to 11.5 cents per share, bringing total dividends for the year to 18 cents per share fully franked, up from 17 cents for the previous year.

Equally pleasing was our operational performance.

Our safety performance improved, as measured by both the Long Term Injury Frequency Rate, which was 15% lower than the previous year, and the Total Injury Frequency Rate, which was 21% lower. However, we know we have a long way to go and tragically we lost the life of a marine employee in an incident off the coast of WA, two weeks ago. Our Managing Director will comment further in his address.

We began the 2015 financial year targeting more than $3 billion of opportunities in the infrastructure sector. During the year, we succeeded in securing or renewing nine significant long-term contracts across Australia and New Zealand. These included a 25-year public-private-partnership contract for the operational support and maintenance of four new schools in New Zealand and a 39-year contract to maintain student accommodation at Wollongong University.

We are confronting the opportunities and challenges of an online digital world by making significant investments in technology. These will enable greater online servicing and support for job seekers, employees, subcontractors and customers, and further consolidation of back office functions and support.

Our balance sheet strength has allowed us to continue to evaluate acquisition opportunities and invest in longer-term growth opportunities to increase our scale and expand further in the markets we serve.

Last month, we announced that agreement had been reached with the board of Skilled Group to combine our businesses to create a market-leading diversified staffing, maintenance and facility management company. Subject to the approval of Skilled shareholders and satisfaction of other standard conditions, Programmed will acquire Skilled through a Scheme of Arrangement which is expected to be implemented in October 2015.

Under the scheme, Skilled shareholders will receive 0.55 Programmed shares and $0.25 in cash for each Skilled share they hold. Skilled may choose to pay fully franked dividends of up to $0.25 per share, in which case the cash consideration will be reduced by a similar amount. Programmed shareholders will own 47.6% of the combined group.

Programmed and Skilled are two highly complementary businesses. The combination will unlock substantial value for both companies' shareholders and is expected to be materially earnings-per-share accretive for Programmed before one-off transaction and integration costs and amortisation of intangibles.

The rationale for combining the two companies is compelling. Due diligence undertaken by both companies, investigating key aspects of the potential combination, identified synergies totalling more than $20 million per annum that we expect to achieve within the first twelve months, with further synergies likely thereafter. In addition to cost savings, we expect significant strategic benefits, which Chris Sutherland will cover later.

There will be a one-off cost of approximately $11 million for integrating the two companies and securing the synergies, and no net synergy benefit is expected in the current financial year.

As well as the financial and operational benefits, Programmed's market capitalisation is expected to increase to approximately $700 million following the transaction, potentially leading to the company's inclusion in the S&P/ASX 200 index, thereby attracting a greater level of investor interest and trading liquidity. Programmed will continue to have a conservative capital structure with flexibility to support further organic growth and, if appropriate, acquisitions.

In summary, this transaction will be a win-win for both Programmed and Skilled shareholders.

There are five resolutions on the agenda for this morning and I will introduce each one later. I would like, however, to comment briefly on resolution 4, which seeks shareholder approval to grant 170,000 performance rights to Chris Sutherland. This grant is in line with the long-term incentive component of Chris' agreed remuneration package and the non-executive directors believe that, through aligning his income with shareholders' returns, it is in the best interests of our shareholders. It should be noted that the performance rights will not vest until 1 July 2019, and then will vest only if the performance criteria set out in the notice of meeting are met.

Ladies and gentlemen, I would like to conclude by repeating that our business model, providing staffing, maintenance and facility management services across all industry sectors, has enabled us to maintain revenue and very strong cash flow, reduce debt and increase dividends in markets that continue to present challenges. The acquisition of Skilled will be a transformational event for Programmed and is expected to create material value for shareholders.

Before I ask Chris to talk about the company's operations, I would like to thank him and the entire Programmed team for their contribution and commitment to the interests of our customers and shareholders. I also thank our shareholders and my fellow directors for their continuing support.

Bruce Brook
Chairman

ASX Release

MANAGING DIRECTOR'S ADDRESS BY CHRIS SUTHERLAND

Thank you, Bruce. Good morning ladies and gentlemen.

I will start by talking about safety and our very recent fatality; then I will summarise the results of our three divisions and provide an update on our first quarter trading; then I will talk about our strategy; and finally I will go into more detail about why we are confident that the Skilled transaction will create material value for our shareholders.

Whilst our HSE results in our FY2015 year may demonstrate some improvement, the fatality that occurred off the North West coast of WA, two weeks ago is a sharp reminder of the need for the marine industry, our customers and ourselves to work even harder to ensure all workers come home each and every night.

I attended the funeral of our marine employee yesterday in New South Wales, and all the support and care we can provide this family is being delivered and this will continue for many years to come.

We are working together with our client and regulators to investigate this incident and to ensure the lessons learnt are passed across the marine industry.

Now moving to the results of our three divisions.

First, our **Property & Infrastructure** division.

This division provides a range of maintenance, building and operational services, including painting, electrical, communications, grounds, specialist turf, signage, general building repairs and facility management.

The division's revenue was 7% higher at $808 million, and EBIT increased 16% to $32.4 million. The revenue growth arose from new long-term facility management contracts and the higher margin resulted from improved operational control.

Painting volumes were similar to the prior year, but on reduced invested capital due to a greater mix of sundry work. Margins were higher due to lower overheads and improved job management, offset partially by lower indexation revenue from existing contracts.

Our grounds maintenance operations performed well, with improved margins and a number of new outsourcing contracts. Following a contract to finance, build and maintain the new training ground for the Fremantle Football Club, due to begin later in 2015, we have begun marketing a new finance-build-maintain program for grounds to sporting clubs, schools and local councils around Australia and New Zealand.

We have reduced our exposure to electrical works in new commercial buildings and increased our focus on fit-out, maintenance and upgrades of electrical, data and communications systems in existing buildings and infrastructure. This provides greater opportunities to work with other Programmed customers, and we have a strong backlog of electrical maintenance and upgrade work.

The division's facility management and maintenance activities continue to grow and this slide shows nine significant long-term contracts that have been secured or renewed since March 2014.

Existing public assets are getting older and require upgrades and greater levels of maintenance to maintain service. The growing population is requiring new assets to be built, thus creating further opportunities, and increasingly governments at all levels are looking for privately funded and managed solutions, which we are well equipped to provide.

Now, our **Resources** division, which provides a range of workforce, maintenance, construction support and operational services to the offshore oil and gas and onshore mining sectors.

Revenue was $247 million, 19% less than the previous year due to the conclusion of a major offshore project and deferral of seismic exploration work by some operators due to the lower oil price. As a result, EBIT was 18% lower at $20.1 million.

Demand for vessel management, manning, catering and logistical services fell in the second half of FY2015 , as a number of oil and gas operators deferred greenfield exploration expenditure and as offshore construction of the Gorgon and Wheatstone developments came off its peak.

There was minimal work last year for onshore mining companies, and we are seeking new opportunities in this sector.

The **Workforce** division provides a range of staffing services across all industry sectors.

Revenue was $377 million, similar to the previous year, but margins were lower due to ongoing weakness in the blue collar economy and structural changes across the staffing industry. As a result, EBIT was 29% lower at $7.5 million.

In response to these changes, the business has been reshaped. Its core business system has been upgraded to provide new capability that operates simply and efficiently across any mobile device, and to enable further centralisation of recruitment functions in each state and expansion of the mobile account and sales network.

This redesign of the way the business functions was completed in October 2014, resulting in a reduction in the number of branches and personnel, and ongoing cost savings of more than $3 million per annum. Thus, the division's second half EBIT of $4.5 million, which was 50% higher than the first half, is its current earnings rate.

OneShift, the start-up online recruitment business in which we have a 27.5% equity stake, continues to develop and grow.

We have formed an alliance with APM, a national provider of workforce and rehabilitation services, which has secured Federal Government contracts to help manage unemployed people back to work in nine regions, including the metropolitan areas of Sydney and Perth, Geelong and Gold Coast. These contracts began on 1st July.

Now an update on our trading in the first quarter of the current year. Our first quarter performance continued to reflect the major transition occurring in the economy, with strong growth in Property & Infrastructure revenue and earnings being offset by lower revenue and earnings in the Resources division.

Our Workforce division's trading remained similar to the second half of FY2015.

Hence, as anticipated in our results announcement in May, the reduction in Resources earnings is expected to be offset in the year to March 2016 by continuing strong growth in earnings by our Property & Infrastructure division.

Now to our **strategy**. This has four key components.

First, **safety**.

A basic tenet of our operations is that every employee must come home uninjured every night. This also means our productivity improves and our costs are lower. Customers hire Programmed because we work safely and can help them improve the safety, and as a consequence the productivity, of their operations. We are also being asked by customers to help them improve their own safety performance and have begun selling our safety capabilities as a new service.

Our safety culture is based upon core programs such as safety conversations, safety pauses, good news stories and managers ringing injured workers at home. These are embedded into the safety systems of each of our businesses and our customers' operations, and it has been exciting to see many employees develop their own safety leadership at home and at work, influencing the adoption of safe work practices across the wider community.

To further reduce the number of injuries, incidents and near misses, we are continuing to focus on leadership, behaviour and personal responsibility. In addition, we are raising the level of awareness on working at heights, electrical isolation and manual handling as these areas are major contributors to the number of incidents and near misses reported over the past 12 months.

Second, **people and culture.**

Having established common standards of behaviour around safety, we are now pursuing a similar goal around customer service and achieving high levels of customer satisfaction. We have installed a reporting system to measure customer satisfaction on a common basis across two of our divisions, and will complete this roll-out in the next 12 months.

Then third, **systems and integration.**

We are continuing a progressive upgrade of our systems to enable further consolidation of back office functions and support and, importantly, greater online servicing and support for job seekers, employees, subcontractors and customers. Enabling them to interact with us seamlessly through online applications and portals, using any mobile device, will change the way we do business.

Following completion of our Workforce systems upgrade, we are now upgrading our finance and accounting system which will be completed over the next 18 months. This will enable people to access the information they need in real time on any mobile device to plan and manage their work, report effectively on a daily basis and help reduce non-productive time. The system will also result in further consolidation of our back office functions.

These investments will help to secure our future in a developing digital world and to grow sales through greater 24/7 reach to customers and improved operational performance, customer service and satisfaction.

Fourth, **growth.**

We have articulated clearly the “Programmed Difference”, so customers recognise the differences that our company and our brand stand for. In a digital world, face-to-face customer interaction may occur less often, and thus an online presence and our ability to project our values are even more important. We will invest further in our brand, online communications and digital marketing to ensure that the differences we can make to our customers, and the improvements we can make to their business performance, are clearly understood.

We are enacting strategies to secure a significant share of future operational and maintenance expenditure on major resource companies’, utilities’ and governments’ infrastructure. We have had considerable success over the past year, winning two new education public-private-partnership contracts as well as new long-term maintenance contracts in public housing, tourism and agribusiness, sectors that are forecast to grow over the next decade. A pipeline of large infrastructure maintenance opportunities continues to be developed and we are well positioned to bid for, and secure, a share of this work over the next 12 months.

We also are exploring how we can provide additional staffing, maintenance and facility management services to our major customers. Our workforce/HR platform is readily scalable and we are seeking opportunities to increase our workforce services to grow earnings and lower our average unit operating cost.

This has led to the development of **our most significant opportunity**, to combine the operations of Programmed and Skilled.

As the chairman has said, Programmed’s acquisition of Skilled is expected to be materially earnings per share accretive before one-off costs. The strategic rationale for combining our businesses is compelling, for the reasons shown in our slide number 10. The chairman has already covered the last four points on this slide, and I will now talk about the operational opportunities.

The transaction will give us **market leadership**. We will have greater brand recognition and the opportunity to improve customer service, risk management and contract performance.

Our staffing, maintenance and facility management activities will have significantly **increased scale**, which will enable lower unit costs and enhance organic growth opportunities.

We will be better positioned to compete for **larger outsourcing opportunities** that are emerging in the marketplace.

We will benefit from increased **earnings diversity**, geographically, by sector and by customer. This will provide great resilience to external challenges and reduce exposure to particular market sectors or customers.

Programmed’s and Skilled’s customer bases are **complementary**. There is limited customer overlap and we believe that there will be many opportunities to sell further services to customers of the combined group.

Due diligence has been carried out by both companies to identify and confirm the synergy and revenue opportunities. Potential savings include lower corporate, HR, workers’ compensation, IT, branch and office costs. A joint integration committee has been formed to combine the businesses and deliver these synergies.

Now let’s look at the three divisions and what the transaction will mean for them.

First, **Maintenance and Facility Management**. As you will see, Skilled’s engineering maintenance business, focusing on the manufacturing, industrial and mining markets, will broaden our maintenance and facility management business. Both are highly cash generative, with stable long-term revenue streams, and the combination will increase earnings diversity and enable us to compete for larger contracts.

Marine. We provide outsourced vessel management, manning and logistics services, while Skilled offers similar services and also operates a number of vessels. The businesses are complementary, operating in key port locations in Northern Australia and New Zealand, and together will be better placed in a lower oil price environment.

Now **Staffing**. Our significantly larger scale will help us to lower unit costs and leverage our recent investment in technology. There will also be opportunities to sell Skilled’s white collar services to our customers.

In summary, combining the Programmed and Skilled businesses will create a stronger, more efficient and more competitive provider of staffing, maintenance and facility management services. We will be further diversified across all sectors of the economy and better positioned to take advantage of growth opportunities. I am confident that the transaction will unlock significant value for Programmed shareholders.

Chris Sutherland
Managing Director