ASX Statement

TRANSFIELD SERVICES

26 February 2015

Transfield Services delivers strong Half-Year result in challenging conditions

- Statutory NPAT $8.4 million for H1 FY2015, up from $4.8 million period on period
- Underlying EBITDA $112.2 million, up 51 per cent period on period
- Cash conversion 81 per cent, up 11 per cent
- Outperformance in Defence, Social and Property Sector
- Strong performance in Infrastructure sub-sectors Telecommunications and Transport
- Balance sheet improved period on period; Net Debt to EBTIDA ratio at 2.2 times reduced from 2.4 times at 30 June 2014
- Safety improvement trend stalls - 7 per cent increase in TRIFR
- No interim dividend to be paid

Transfield Services today announced a Statutory Net Profit after Tax (NPAT) for the first half of FY2015 of $8.4 million, up from $4.8 million on the prior comparable period.

Underlying EBITDA, which the Company believes most accurately measures operating performance, was $112.2 million for the half, up 51 per cent on the prior comparable period.

"This is a strong first half financial performance, reflecting delivery against our targets," said Managing Director and Chief Executive Officer, Graeme Hunt. "It is also testament to the diversity and resilience of our portfolio of contracts."

"Macro-economic conditions remain challenging in the Resources and Industrial Sector, but this was more than offset by the Company's expanding work with government, particularly in the Social, Defence & Property Sector, and the Telecommunication sub-sector. Key performance metrics, such as cash conversion, working capital, net debt to EBITDA ratio and return on capital employed all continue to head in the right direction. This positions us well for the future."

Although the Company's operations and maintenance service line recorded a 30 per cent year on year drop in Total Recordable Injury Frequency Rate ("TRIFR"), across the Group TRIFR increased by 7 per cent. Tragically last month a subcontractor lost his life at the Company's Botany Industrial Park contract. The incident underscores the need for a relentless focus on safe working practises.

Performance overview

The 51 per cent increase in Underlying EBITDA to $112.2 million was primarily driven by growth in the Defence, Social & Property Sector and the Infrastructure Sector, including improvement in the Telecommunications and Transport sub-sectors.

The Company reported an Underlying operating cash flow before interest and tax payments of $91 million which represents a cash conversion of Underlying EBITDA of 81 per cent. This strong cash performance has been achieved through continued working capital discipline and improved billing and collection practices.

Return on Capital Employed increased significantly to 10 per cent from 4 per cent in the prior comparable period.

In the Infrastructure Sector Underlying EBITDA decreased by $8.1 million or 41 per cent period on period due to the recognition of provisions relating to onerous contracts, which are being remediated. Against this the Infrastructure Sector reported higher volumes and stronger margins in Telecommunications contracts such as the National Broadband Network and Ultra-Fast Broadband contracts, and some sections of the Transport sub-sector. This was offset by softness in Electrical Services and Water contracts within the Utilities sub-sector.

The Defence, Social & Property Sector reported another strong first half. Revenues increased by 53 per cent and Underlying EBITDA increased by $101.2 million period on period primarily due to the benefit of a full six months of the expanded Immigration contract plus new contract wins during the period, particularly in the Social sub-sector, and mobilisation of the Australian Defence Base Services contract.

In the Resources and Industrial Sector Underlying EBITDA fell by $16.9 million or 60 per cent compared to the prior comparable period. The reduction in the EBITDA margin period on period from 5.6 per cent to 2.7 per cent is indicative of the challenges and near term uncertainty in the Oil and Gas and Mining sub-sectors, primarily driven by reduced volumes.

Underlying EBITDA for the Americas business fell by $23.6 million. Included in this number is provisioning of $8.3 million for onerous roads maintenance contracts in Canada and the US, which are well underway to being remediated. Additionally $8.7 million of non-recurring, non-cash legacy items relate to the write-off of historic receivables in the Flint Transfield Services joint venture in Canada and the downstream Oil and Gas business on the west coast of the US.

Forthcoming group rebrand

Transfield Services is a party to a Trade Mark Licence Agreement with Transfield Holdings, under which the Group is branded. Since the end of the period, Transfield Services has received a notice to terminate this agreement from Transfield Holdings, the owner of the Transfield trademarks. Transfield Services has 12 months to cease using these trademarks and will be seeking the approval of shareholders to change the name of the Company later this year.

Outlook and Guidance

Due to low commodity prices and curtailed expenditure, project deferrals are expected in the Oil and Gas, and Minerals exploration and development sub-sectors. Offsetting this is the near completion of Liquefied Natural Gas facilities in South Eastern Queensland which are expected to lead to an increase in well servicing requirements. The Company expects to continue to take advantage of large long-life installation programs such as the fibre optic cable roll-outs in Australia and New Zealand, and is seeing an increasing interest in outsourcing of social services such as health, education, welfare and justice.

Transfield Services reaffirms guidance, expecting Underlying EBITDA for the full 2015 financial year to be within a range from $260 million to $280 million.

ENDS

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