ASX Release

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Programmed Maintenance Services Ltd
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25 May 2016

Results for the year ended 31 March 2016

Programmed (ASX:PRG), which provides staffing, maintenance and facility management services, today announced an after-tax profit of $38.8 million before amortisation and non-trading items for the year to 31 March 2016 (FY15: $31.2 million). After amortisation and non-trading items, the after-tax loss was $98.0 million (FY15 after-tax profit: $25.7 million). The company's FY16 results include six months' revenue and earnings from Skilled Group, which was acquired in October 2015.

Earnings before interest, tax, amortisation and non-trading items (EBITA) were $65.5 million (FY15: $50.9 million), compared with guidance in February 2016 of approximately $65 million.

Amortisation and non-trading items totalled $136.8 million. These were $9.3 million for the non-cash amortisation of identifiable intangibles; $33.9 million related to the acquisition of Skilled and its integration, restructuring and other expenses; $102.4 million non-cash impairment of the Marine division's goodwill due to lower demand for marine services following the steep declines in oil and gas prices; $1.7 million related to discontinued operations (Broadsword); $0.5 million representing a share of an associate's net loss; and a tax credit of $11.0 million related to these items.

Revenue was $2,209 million, up 54% on FY15 ($1,434 million), with the increase arising from the acquisition of Skilled.

Continued focus on capital management and strong operating cash flow reduced the company's net debt to $239 million at 31 March 2016 from $302 million at 16 October 2015 on completion of Skilled's acquisition. This compares with guidance in February 2016 of between $260 million and $290 million.

The board has determined to pay a final dividend of 5 cents per share fully franked, payable on 26 July 2016 to shareholders on the register at 5 July. This will bring dividends for the full year to 11.5 cents per share fully franked (FY15: 18 cents). The dividend reinvestment plan has been reinstated, with a discount of 2.5%, and the board is considering full underwriting of the plan for the FY16 final dividend, subject to commercially acceptable terms.

As announced in February 2016, FY17 EBITA is projected to be in the range $100 million to $110 million which, with depreciation estimated at $20 million, equates to FY17 EBITDA in the range $120 million to $130 million. This is based on current estimates; excluding non-trading items; subject to actual trading conditions, and assumes no material changes to the macroeconomic environment.

Chris Sutherland, managing director of Programmed, said: 'This was a transitional year for Programmed as we completed the acquisition of Skilled and incurred one-off costs to integrate the business, while also managing the significant downturn in the oil and gas sector.

'The integration of Skilled is ahead of plan, with cost savings of more than $30 million per annum already delivered. The group and divisional management teams have bonded and are operating successfully, and all businesses have been rebranded under the master Programmed brand. Integration of the core business IT systems will be completed during the next 12 months, with projected one-off integration and restructuring costs of approximately $10 million.

zero/harm

‘We have a clear vision to be a leading provider of staffing, maintenance and facility management services, without injury. Our business model, providing services to thousands of customers across all industry sectors throughout Australia and New Zealand, gives Programmed considerable strength in an economy that continues to present new challenges.

‘Customers in markets such as retailing, tourism, transport and manufacturing are hiring people and spending on their assets again, and there are growing opportunities in the education, health and aged care sectors. Demand is growing for staff and maintenance services across these sectors which represent more than 2/3 of group revenue going forward. Demand for labour in the resources sectors, however, has weakened due to the completion of major projects, cutbacks in mining companies’ exploration and operating budgets, and a sharp drop in services for the oil and gas industry following the decline in oil and gas prices.

‘The acquisition of Skilled has increased our scale and diversification, opening new opportunities across the combined customer base. We are strategically marketing our services throughout the group, and also to specific industry sectors and customers, based upon the “Programmed Difference”.

‘It will take a number of years for the benefits of our increased size, scale and efficiency to be fully realised as we integrate business systems and seek growth across our expanded network. We have a large, scalable platform that will allow us to continue to invest in technology and lower our unit operating costs for many years to come, creating a more competitive service provider and enabling us to provide more benefits for customers.’

Group Results	**FY16 31 Mar 2016 $m**	**FY15 31 Mar 2015 $m**	**% change**
Revenue	**2,209.4**	**1,434.2**	**54.1%**
Results before Amortisation and Non-Trading Items			
EBITDA	**80.6**	**61.4**	**31.3%**
Depreciation	(15.1)	(10.5)	(43.8%)
EBITA	**65.5**	**50.9**	**28.7%**
Interest	(11.2)	(5.4)	(107.4%)
Profit before tax	**54.3**	**45.5**	**19.3%**
Income tax expense	(15.5)	(14.3)	(8.1%)
Profit after tax (before amortisation and non-trading items)	**38.8**	**31.2**	**24.5%**
Amortisation and Non-Trading items			
Amortisation	(9.3)	(0.8)	
Skilled transaction, integration and other costs	(33.9)	(3.8)	
Marine goodwill impairment (non-cash)	(102.4)	0.0	
Incentive payment (Turnpoint acquisition)	0.0	(1.4)	
Share of net loss of associate	(0.5)	(0.6)	
Discontinued operations (Broadsword)	(1.7)	0.0	
Tax on amortisation and non-trading items	11.0	1.1	
Profit / (Loss) after tax (statutory basis)	**(98.0)**	**25.7**	
Earnings per share (before amortisation and non-trading items)	**21.8**	**26.3**	**(17.1%)**
Earnings per share (statutory basis)	**(55.0)**	**21.7**	
Weighted average shares on issue (million)	178.3	118.5	

Divisional Results

Staffing	FY16 31 Mar 2016 $m	FY15 31 Mar 2015 $m	% change
Revenue	896.7	376.8	138%
EBITA	21.7	7.5	189%

This division combines Programmed's Workforce business and Skilled's Workforce Services and Technical Professionals businesses and provides a range of staffing services across all industry sectors.

The businesses' management and front offices have been integrated successfully and more than 20 offices have been consolidated. No material customers or revenue have been lost arising from the acquisition of Skilled and revenue is projected to increase on an annualised basis in FY17.

Programmed is the largest blue collar staffing business in Australia and steps are being taken to ensure customers understand the benefits of strong safety systems and compliance, along with getting the right person for the right job each and every day.

All the white collar businesses, which operate in a number of growing markets such as health and aged care, have been consolidated under a single management structure and the Programmed Professionals brand.

OneShift, the start-up online recruitment business in which Programmed invested $5 million for a 27.5% equity stake in October 2013, continues to develop and grow. Its new job/candidate matching product for the retail and hospitality industry was launched in February this year.

Maintenance	FY16 31 Mar 2016 $m	FY15 31 Mar 2015 $m	% change
Revenue	960.5	807.6	19%
EBITA	41.1	32.4	27%

This division combines Programmed's Property & Infrastructure businesses with Skilled's industrial maintenance businesses (including the former Ativo and Thomas & Coffey). The Maintenance division provides maintenance, building and operational services to asset owners across all industry sectors. Services include painting, grounds maintenance and landscaping, specialist turf construction and maintenance for golf and horse racing, corporate imaging and signage, building repair, electrical and lighting installation, audio visual, data and communications, complete maintenance services, asset management, industrial maintenance, shut downs, project management and minor capital works.

Growth in revenue arose from the additional maintenance businesses of Skilled and new long-term facility management contracts. The higher margin was the result of improved operational control across many areas of the business.

Painting volumes were similar to the prior year, but on reduced invested capital due to a greater mix of sundry work. Invested capital in long-term painting maintenance programs was $90.5 million at the end of FY16, compared with $97.2 million a year earlier. Painting margins were higher due to lower overheads and improved job management, offset partially by lower indexation revenue from existing contracts.

The grounds maintenance operations performed well, with improved margins and a number of new outsourcing contracts.

The focus on fit-out, maintenance and upgrades of electrical, data and communications systems in existing buildings and infrastructure is delivering new work.

The division's infrastructure maintenance portfolio continued to grow, with the highlight being the Western Australian Government Department of Finance’s Building Management and Works Maintenance Services Arrangement contract. This new contract is expected to generate revenue of between $90 million and $120 million per annum and will more than double the scope and annual value of services that Programmed currently provides to this government department.

The contract, which will involve providing services to seven government agencies, has a maximum duration of 15 years, with an initial term of five years and two five year options, and has a possible total value in excess of $1.5 billion.

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.

Strategies are being enacted to secure a significant share of future operational and maintenance expenditure on the infrastructure of major resource companies, utilities and government. Programmed has had some considerable success over the past two years, winning a number of new PPP (public-private partnership) contracts as well as new long-term maintenance contracts in public housing, education, tourism and agriculture, all sectors forecast to grow over the next decade.

Revenue from the industrial and mining sectors (arising from the addition of Skilled) declined in the second half, compared to this business’ prior period, reflecting less project opportunities in the mining sector. The company’s industrial and mining activities are being refocused on operational support and maintenance opportunities with traditional customers in iron ore and coal where consolidation of service providers is continuing. The company is also seeking new opportunities in gold, energy and processing where customers are investing further capital.

Marine	**FY16 31 Mar 2016 $m**	**FY15 31 Mar 2015 $m**	**% change**
Revenue	348.8	247.5	41%
EBITA	18.3	20.1	(9%)

This division combines Programmed’s Resources division, which has been primarily marine-related, and Skilled’s marine businesses (formerly Skilled Maritime, Skilled Offshore, Broadsword and OMSA).

The Marine division provides a range of workforce, maintenance, construction support and operational services to the offshore oil and gas and marine services sectors. A number of major offshore projects were completed in the second half and the business has been significantly downsized to suit the lower activity forecast over the next year arising from the steep decline in oil and gas prices.

The vessels owned by Broadsword were sold for $25 million and its business has been treated as a discontinued operation, with its revenue and earnings excluded from the company’s FY16 results from continuing operations.

Unallocated Costs

Unallocated costs, which relate to corporate overheads and non-trading income and expenses, including foreign exchange movements on UK and New Zealand payments, were $15.6 million (FY15: $9.1 million).

Cash Flow and Net Debt

Cash flow remained strong, with gross operating cash flow of $90.9 million, up 12% on FY15 ($80.9 million) and 182% of EBITDA (earnings before interest, tax, depreciation and amortisation) after cash non-trading items. Net operating cash flow was $58.7 million, 11% lower than FY15 ($65.7 million).

Net debt at 31 March 2016 was $239 million, compared with $302 million at 16 October 2015 on completion of Skilled's acquisition. The company's net debt to equity ratio at 31 March 2016 was 39%.

For further information contact:

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About Programmed

Programmed is a leading provider of staffing, maintenance and facility management services. The company employs directly approximately 20,000 people across a broad range of government and private sector businesses.

Services are provided to more than 10,000 customers, often under long-term contracts, and are delivered through over 100 branches throughout Australia and New Zealand.

Programmed's business model is built around its ability to recruit, deploy, manage and maintain a large directly-employed workforce of professional, skilled and semi-skilled staff with a wide range of capabilities.