



19 December 2011

Market Update (amended version)

Hastie Group [ASX:HST] today provided an update on (i) the strategic review of its Middle East and International divisions, (ii) the status of its bank debt facilities, and (iii) the restructuring of its Australian business and new initiatives.

Strategic review of the Middle East & International divisions

As previously announced, a strategic review of the Group's Middle East division commenced shortly after the recapitalisation of the business in July 2011.

Following the appointments of Bill Wild, the new Chief Executive Officer, and Mark Wratten, the new Chief Financial Officer, they have spent significant time in the Middle East conducting a detailed assessment of every Middle East contract and the International operations. The review has identified cost overruns on certain projects and clarified the timing of payments and likelihood of receivable collections.

After detailed consideration of the review findings just completed, the Board expects that Hastie Group will take a charge to EBIT for the half year ending 31 December 2011 in the range of A\$48m to A\$55m. The majority of this charge comprises increased cost to complete estimates on Middle East and International projects through to the 30 June 2014 and predominantly arises on 2 significant uncompleted projects in the Middle East.

The existing debt facilities provide adequate funding headroom for the Group to complete all projects based on the revised cost to complete estimates. Over the balance of their project lives to FY2014, the Middle East operations are expected to be cash neutral.

Status of the Group's bank debt facilities

The Group's capital structure has benefited substantially from the \$160 million equity recapitalisation five months ago. Hastie Group has maintained dialogue with its lending banks in relation to the Middle East strategic review. Based on these discussions, the Board believes that Hastie Group continues to have the support of its financiers and, subject to the exclusion of the one-off charge (described above) for the purpose of covenant calculations, will maintain compliance with its debt covenants.

Restructuring of the Australian business and New Initiatives

The restructuring activity, which is focused on reducing overheads and improving efficiency in the Australian business, is progressing well. At the completion of this restructuring, Hastie Group will be organized primarily on a regional basis providing key services of Mechanical (HVAC), Electrical, Plumbing and Fire to the industrial and construction sectors in a more coordinated manner. The number of sites that the Group operates from will be reduced substantially with consequent longer term savings in overheads, including occupancy and back of house costs. To date, approximately \$4m of costs have been incurred in implementing this restructure. Hastie Group will provide an update on cost and benefit phasing in respect of the restructure with the announcement of the half year results.

The restructuring initiative has also identified several non-core operations for potential sale, integration or closure. Further details of these initiatives will be provided with the half year results announcement.

In addition, the recently announced Joint Venture initiative with Cobra has seen Hastie Group commence joint tendering on projects.

Hastie Group Limited is a leading provider of technical and engineering services to the building, infrastructure and resources sectors. Hastie designs, manufactures, installs and maintains HVAC, Fire, Electrical, Plumbing, Industrial / Commercial Refrigeration and Marine and Offshore systems and equipment. It operates throughout Australia, New Zealand, the UK, Ireland and the Middle East and has over 8,000 employees. Hastie Group Limited is a member of the S&P/ASX300 Index.

For further information, please contact the CEO, Bill Wild, or the CFO, Mark Wratten on +61 2 9714 4602.

Media enquiries to Nigel Kassulke (Cannings) on +61 407 904 874 or Luis Garcia (Cannings) +61 2 8284 9911.

Important information

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