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Hastie delivers solid first half underlying profit of \$23.5 million*

- Challenging market conditions result in 5.2%* decline in underlying profit
- Operating cash flow \$35 million (IH 2009: \$16 million)
- Net gearing 32%
- 100% of FY 2010 revenue in hand
- Strong pipeline of prospects for FY 2011

Hastie Group Limited, the leading international provider of technical services to the building and infrastructure sectors, today reported an underlying profit after tax of \$23.5 million* for the half year to 31 December 2009 (IH 2009: \$24.8 million). Reported profit after tax was \$21.6 million (IH 2009: \$31.8 million). Revenue was \$809 million (IH 2009: \$923 million).

The directors have declared a fully franked interim dividend of 5.0 cents per share (IH 2009: 7.0 cents), payable on 16 April 2010 to shareholders on the register at 9 March 2010. This represents a 55 per cent pay out ratio and is within the target range of 40-60 per cent of after-tax profit. The dividend reinvestment plan will apply to the interim dividend, with a 2.5% discount.

Results summary	IH 2009 (\$m)	IH 2010 (\$m)	Change (%)
Sales revenue	923.1	808.7	(12.4)
Earnings before interest and tax (EBIT)	47.6	39.7	(16.6)
Reported profit after tax and minorities	31.8	21.6	(32.0)
Reported earnings per share (cents)	18.2	9.2	(49.5)
Interim dividend per share – fully franked (cents)	7.0	5.0	(28.6)
One-off items			
Foreign exchange (gain)/loss after tax	(4.0)	1.9	
R & D tax credits	(3.0)	-	
Underlying profit after tax and minorities	24.8	23.5	(5.2)
Underlying earnings per share (cents)	14.2	10.0	(29.6)

'This has been a challenging and uncertain period, and in these circumstances we believe that an EBIT margin of 4.9 per cent and an underlying profit of \$23.5 million are very pleasing results,' said Mr David Harris, Group Managing Director and CEO. 'They demonstrate the robust nature of Hastie's business model which enables local delivery of the highest quality technical services, backed by the group's global expertise.'

* Underlying NPAT excludes the impact of FX movements on intercompany loans and one-off R&D tax credit in IH2009 relating to tax benefit for FY08.

'While demand is patchy, our growing reputation for successful project delivery, high quality service and reliability is enabling us to continue to win significant projects in all our three geographic regions – Australasia, the UK and the Middle East. In particular, customers are recognising the value of our experience and expertise in specialist sectors such as healthcare and social infrastructure, and of our ability to provide an integrated range of mechanical, electrical, hydraulics, refrigeration and maintenance services co-ordinated from a single source.

'Our \$119 million contract for the Gold Coast University Hospital in Queensland and our selection as preferred contractor for a \$44 million project for the headquarters of The Co-operative Group in Manchester, UK – both announced today – are examples of the flagship projects we are winning from leading international construction companies and developers. These follow the \$204 million contract for the new Zayed University campus in Abu Dhabi on which we are currently working.

'In all our operations we adopt a risk-managed approach to tendering, and we continue to align each of our businesses' cost structure with its project pipeline and market outlook. We are also focused on reducing supply chain costs and generating back-office efficiencies.

'Hastie remains in a strong financial position with net debt of \$179 million and net gearing (net debt: net debt + equity) of 32 per cent, in line with 30 June 2009. At 31 December 2009, we had net cash of \$86 million and undrawn term debt facilities of \$121 million. The group is well within its banking covenants and none of its term debt facilities mature until April 2011.

'Working capital, at 3.3 per cent of annualised sales for the half year, was above our target range, reflecting the difficult trading environment, and we expect this to reduce as the global economy improves. Cash generated from operations was \$35 million before tax, compared with \$16 million in the first half of FY 2009.

'Maintaining the safety of our highly skilled and experienced workforce is one of our key objectives. We are an industry leader in driving safety initiatives, and this has led to an average 33 per cent annual reduction in our lost time injury frequency rate.

'Hastie has a growing reputation in its markets and is well placed to rebound strongly as economic activity improves. Meanwhile, we have the skills and resources to increase our share of current government and private sector investment in commercial and industrial construction, infrastructure and social infrastructure in our three regions.'

Mechanical & Hydraulics Division

	IH 2009 (\$m)	IH 2010 (\$m)	Change (%)
Sales revenue	444.5	391.6	-11.9
EBIT	23.9	20.7	-13.4
EBIT margin (%)	5.4	5.3	
Divisional figures restated to include the results of the Refrigeration division which has been incorporated into the Mechanical & Hydraulics division and the Services division			

The **Mechanical & Hydraulics** division performed creditably in a difficult market, maintaining average margin. Performance varied from state to state, with good demand in Queensland, Western Australia and South Australia, but fewer projects in New South Wales and Victoria.

The division's order book is firm with an encouraging pipeline of prospects, and increasingly customers are attracted by Hastie's ability to provide an integrated service including mechanical, electrical and hydraulics services.

Recent contract wins include the Gold Coast University Hospital, announced today and with a value of \$119 million; Star City Casino, Sydney; and stage 3 of Newmont's granite mine in the Northern Territory.

Electrical Division

	IH 2009 (\$m)	IH 2010 (\$m)	Change (%)
Sales revenue	154.5	163.6	5.9
EBIT	10.0	8.9	-11.0
EBIT margin (%)	6.5	5.4	

The **Electrical** division, which works closely with the Mechanical & Hydraulics division, continued to increase its revenue, although margins were affected by low margin work related to the federal government's school building program. Electrical services for the new Sydney desalination plant were among projects completed successfully during the half year.

The division has a firm order book – including contracts for Department of Defence data centres, Star City Casino and the upgrade of Warwick Farm Traction – and an encouraging pipeline of prospects, particularly in Queensland and South Australia. There are opportunities to expand operations to additional states and to increase penetration of the electrical infrastructure and fire protection markets.

Services Division

	IH 2009 (\$m)	IH 2010 (\$m)	Change (%)
Sales revenue	95.5	94.7	-0.8
EBIT	4.1	4.8	20
EBIT margin (%)	4.2	5.1	

Divisional figures restated to include the results of the Refrigeration division which has been incorporated into the Mechanical & Hydraulics division and the Services division

The **Services** division, which provides a full range of technical maintenance services to more than 8,000 customers across Australia and New Zealand, continued to strengthen its market position and increased its margins despite lower demand for higher margin discretionary work.

The division has a growing pipeline of preventative maintenance work and has recently won contracts from Queensland University of Technology, Enoggera army base, Five D a property and facility manager (Vodafone, Salmat, Orix and Flight Centre) and Jones Lang LaSalle (140 William Street, Perth).

There is potential to add hydraulics and fire protection to the division's range of maintenance services and to further expand its geographic coverage of Australia. Meanwhile, field and back office procedures are continuing to be upgraded to increase efficiency and reduce cost of service delivery.

Rotary Division

	IH 2009 (\$m)	IH 2010 (\$m)	Change (%)
Sales revenue	228.5	158.9	-30.5
EBIT	9.6	5.6	-41.7
EBIT margin (%)	4.2	3.5	

The UK and Irish markets, where **Rotary** provides mechanical, electrical and hydraulics services, remain very difficult, especially Northern Ireland and the Republic of Ireland which are expected to remain soft for some time. Costs have been reduced, but earnings have been affected by margin pressure due to aggressive pricing by competitors and by the weakness of sterling against the A\$.

Helped by its strong reputation for quality, Rotary has continued to win significant new work, especially in the north of England where, as announced today, it is preferred contractor for a \$44 million project to design and install mechanical, electrical and hydraulics services for the new headquarters of The Co-operative Group in Manchester. Contracts won recently by Rotary include a Tesco call centre in Newcastle and the School of Medicine at the University of Limerick. In the Middle East, where it works closely with Hastie International, it has won contracts for a hotel and an aircraft wash facility in Doha, Qatar and the Almarai bakery in Riyadh, Saudi Arabia. Rotary also has a firm pipeline of domestic and overseas prospects.

Outlook

'Hastie is well positioned to take advantage of economic recovery and a return to growth in our core markets,' said Mr Harris. 'Conditions remain patchy. In Australia we are seeing an upturn in tenders, with greater signs of activity in the resource-rich states of Queensland, Western Australia and South Australia; and, while we are experiencing ongoing demand in northern England, other regions and the Republic of Ireland remain subdued. The Middle East remains mixed, with ongoing major project opportunities in Abu Dubai and Qatar for which we are actively bidding.

'We already have commitments for 100% of our FY 2010 revenue, assuming similar revenue to FY 2009, and at this stage we expect FY 2010 earnings before interest and tax of \$80 to \$84 million. This, however, will depend on the timing of project delivery and on stable exchange rates.

'With a strong balance sheet and a secure debt position, we also have financial flexibility to capture growth opportunities.

'Hastie's proven strategy and business model provide a strong platform to continue growing. We have an experienced management team and a highly skilled technical resource base that continue to deliver. With our pipeline of contracted work, a growing proportion of recurring revenue, and an increasing number of good prospects, we remain confident of the outlook for our business and are well placed to resume growth in FY2011 and beyond.'

Briefing

A briefing on the results will be held at the Sofitel Sydney Wentworth Hotel at 11.30 am on 24 February 2010. A dial-in conference call facility is available:

Local - Australia, Sydney: +612 8113 1400
National toll free - Australia: 1800 554 798
Conference ID: #1523692

Hastie Group Limited is the leading international designer, installer and maintainer of technical services to the building and infrastructure sectors - mechanical, electrical, hydraulics and refrigeration group with well established operations in Australasia, UK and Ireland, and The Middle East. It has over 7,000 employees based at over 110 locations. The group operates under brands which are well recognised in their markets, and customers include many of the largest construction companies, shopping centre groups, industrial corporations and facility managers. Hastie Group Limited is a member of the S&P/ASX200 Index.

Issued by Hastie Group Limited

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