



Transfield Services To Acquire Leading Services Management Company US Maintenance For AUD\$372 Million

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Acquisition will provide Transfield Services with a strong platform for growth in the world's largest outsourced services market

Transfield Services today announced an agreement to acquire US Maintenance, a leading provider of outsourced contractor management services in the USA. US Maintenance is represented in 50 US states, Canada and Puerto Rico and had revenue of AUD\$230 million in calendar year 2005. US Maintenance is currently a portfolio investment of Sterling Investment Partners.

Transfield Services will pay AUD\$372 million (US\$276 million) for US Maintenance. The acquisition will be earnings per share accretive from year one (FY2007).

US Maintenance has an impressive track record of strong organic growth. It has achieved compound annual revenue and EBITDA growth rates over the last three years of 24% and 35% respectively on a pro-forma basis. Double digit revenue and earnings growth is expected to continue into the future.

The purchase price represents an FY2007 EBITA multiple of 9.7 times based on the company's forecast earnings.

Peter Watson, Managing Director and Chief Executive Officer of Transfield Services, said the acquisition advanced Transfield Services' growth strategy of expanding its geographic footprint, industry and skill base to provide growth platforms which were immediately earnings accretive.

"US Maintenance has a 'best of breed' services management business model that will provide an ideal growth platform for the international expansion of Transfield Services," Mr Watson said.

"The US Maintenance business model is centred around its unique proprietary network which manages more than 9,000 subcontractor entities, developed over the past 18 years. The subcontractor entities provide scheduled electrical, lighting and sign services, repair and disaster restoration services, as well as facility interior and exterior services across North America."

"The services management model employed by US Maintenance provides it with several important competitive advantages, including scalable and seamless national coverage, a single source of contact for customers, an industry-leading compliance program focussing on client brand protection, a variable cost structure, minimal capex and working capital requirements and the ability to generate strong and sustainable earnings margins," he said.

US Maintenance has entrenched, longstanding relationships with a diverse 'blue-chip' customer base:

Eight of its top 10 customers have been with the group for over five years

90% of 2005 revenues came from scheduled, recurring and essential services

95% of 2005 revenue originated from longstanding customers

"US Maintenance currently operates in the North American commercial facilities services industry which consumes approximately \$US50 billion p.a. in outsourced services. This large fragmented market, coupled with the increasing trend towards companies outsourcing facilities management to a national, single-source provider, provides significant opportunities for the continued organic growth of the business," Mr Watson said.



"US Maintenance provides a working platform for Transfield Services to leverage its existing expertise by offering existing and new customers in North America a broader range of asset management, project and capital works management services," Mr Watson said.

The CEO of US Maintenance, Mr Gansky, said: "We are delighted that Transfield Services, with its strong experience and service credentials, has reached agreement to acquire US Maintenance."

"US Maintenance has become the market leader in the provision of outsourced contractor management services in the USA and we are confident that the business will continue to generate strong growth under Transfield Services' ownership," he said.

Mr Watson said US Maintenance's highly experienced senior management team, including Mr Gansky, have demonstrated their ongoing commitment to the business by agreeing to retain a portion of their current equity in the business under an earn-out structure. Key management have entered into three-year employment agreements.

The acquisition will be initially funded by an underwritten US dollar debt facility.

Transfield Services intends to undertake funding through various options which will include a pro-rata renounceable equity issue to be launched in conjunction with the release of Transfield Services' FY2006 results in late August. All Transfield Services shareholders will have an opportunity to participate in the equity issue.

The size of the proposed equity issue will take into account Transfield Services' balance sheet strength and future funding headroom.

The acquisition is subject to customary conditions precedent including US regulatory approvals. It is anticipated that completion will occur during July 2006.

Transfield Services was advised by Macquarie Bank Limited.

Background

Transfield Services is a leading international provider of operations, maintenance, asset and project management services. In addition, it owns, operates and maintains major infrastructure assets. It has more than 14,000 employees working across Australia, New Zealand, South East Asia and the Gulf Region in 11 diverse industries including: mining and process; hydrocarbons; roads; rail and public transport; water; power; telecommunications; facilities management, and defence. Transfield Services Limited is publicly listed in Australia and included in the S&P/ASX 200 with a turnover in excess of AUD\$1.5 billion (2004/05). www.transfieldservices.com

Sterling Investment Partners, based in Westport, Connecticut, invests in companies with significant competitive strengths and growth potential. Sterling has completed investments, strategic or add-on acquisitions, and liquidity events with an aggregate transaction value of approximately \$5.3 billion, representing over 50 companies. Sterling maintains a broad industry focus, including professional and business services, manufacturing, transportation and logistics, and technology-related businesses. Sterling Investment Partners and US Maintenance were advised by Jefferies & Company, Inc. www.sterlinglp.com