



## NEPTUNE DELIVERS ON KEY MILESTONES IN RESTRUCTURE

- **\$9.5 million cost saving achieved.**
- **Board succession plan in place**
- **Underlying operations remain stable**

Neptune Marine Services Limited (ASX: NMS, **Neptune** or the **Company**) confirms it has delivered on key elements of its operational restructure, including finalising \$9.5 million in annual cost savings, progress in the non-core asset sale program, and confirming the board succession plan. Neptune is also pleased to report that its underlying operations remain stable, posting a break-even result before interest and tax for the March quarter as restructuring measures begin to take effect.

### Corporate restructure

Neptune has identified a further \$4.5 million in ongoing annual overhead savings, bringing total savings to \$9.5 million, with \$5 million, as previously confirmed, actioned by way of a reduction in headcount.

The \$4.5 million in savings was achieved by challenging all areas but included

- additional personnel reductions
- Reduction / relocation of offices space
- Cuts to general overheads such as consultants, travel and IT.

Neptune previously committed to a further strategic review of its UK operations. The review concluded Neptune's European businesses – based in Aberdeen, Scotland – were profitable and would be retained. However, it identified potential Regional overhead savings which included relocating Neptune's Aberdeen office, and a reduction in senior management headcount as part of measures to streamline operations. The savings associated with this review form part of the \$9.5 million annual overhead savings.

### Business and Asset Restructure and Sales

In addition to the overhead savings, Neptune remains focused on reducing ongoing operating losses via restructuring, selling and rationalising non-core, underperforming assets and businesses. The businesses and assets currently to be sold are expected to have contributed a loss to Neptune in 2011 of approximately \$4 million.

Neptune has made significant progress in the sale of non-core assets, headlined by the sale of the *Neptune Trident* vessel for US\$14,025,000 last month. The funds raised from the sale have been used to further pay down debt, with Neptune no longer holding any term debt.

Neptune is also actively engaged in the marketing and orderly sale of its *ROV Supporter* vessel, as well as its Australian fabrication and USA diving businesses.

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Neptune's ROV business has been consolidated into the Company's European operations, which is set to improve efficiencies and utilisation rates.

Neptune's Acting Chief Executive Officer, Robin King, said wide-ranging changes to Neptune's operational structure meant the Company was better placed to deliver on its primary objective of restoring profitability and shareholder value.

"The cost saving initiatives have left the Company with a simplified structure and ushered in the new, 'back to basics' Neptune," Mr King said.

"Neptune's primary objective is to develop our businesses organically and through relationships so that we can achieve sustainable earnings growth."

### **Board Renewal**

Neptune is progressing through its substantial Board renewal process following a Board skills assessment by independent consultants Gerard Daniels.

Neptune and Gerard Daniels are working together to identify and enter into discussions with candidates who possess the skill sets and characteristics that are the necessary elements for the Board going forward.

Under the process, Neptune plans to appoint three new non-executive directors to the Board via a succession plan following an appropriate transition period.

Neptune has already made one new appointment to its Board with the CEO of its new strategic shareholder, MTQ Corporation Limited, being appointed in March.

### **Operational Performance**

Neptune has recorded an unaudited, normalised break-even operating EBIT for the March quarter, before write downs and one-off costs associated with the restructure.

The result signalled that restructuring initiatives have started to positively impact on the Company's operating performance. It also followed an improvement in Neptune's operating results in the December quarter.

Mr King said while it was an encouraging result, Neptune's senior management team would continue to work hard to navigate the Company through its challenging recovery phase and ensure it capitalises on growth opportunities as it strives towards sustainable earnings.

"We anticipate the recent changes, to simplify and restructure the Company, will have a greater impact on our bottom line in the 2012 financial year," Mr King said.

"The current half is about getting the structure of the business right to leave Neptune well placed for growth."

Neptune continues to win new contracts since the beginning of this calendar year with customers such as BHP, Origin, and Monadelphous at the Gorgon project.

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