

24 November 2009

Campbell Bros produces sound half year performance

Brisbane-based diversified industrial company Campbell Brothers Limited (ASX Code: CPB) today announced that the Group achieved net profit after tax of \$38.26 million in the half year to September 2009, in line with recent guidance provided to the market.

The result was down 33% on the previous corresponding period and was generated from revenue of \$400.91 million (down 12% on the September 2008 half).

Campbell Brothers Chairman, Geoff McGrath said the result represents a sound financial performance in an uncertain economic environment during the period.

“The fall in revenue and profit was largely due to reduced global demand in mineral exploration markets for analytical testing services provided by the ALS Minerals division. All other divisions of the ALS Laboratory Group produced improved revenue and profit contribution compared with the September 2008 half year”.

“Recent data indicate there is stability and, in some regions, growth returning to the markets serviced by the Group”, he added.

Directors have declared a partly franked (50%) interim dividend of 45 cents per share, payable on all ordinary shares including new shares issued in November 2009 pursuant to the Company’s one-for-six renounceable rights issue (2008: 50 cents, partly franked to 50%).

The dividend will be paid on 16 December 2009 on all shares registered in the Company’s register at the close of business on 3 December 2009. The dividend reinvestment plan discount will be 7.5 %.

Results of each of the Company’s business segments were:

Financial Results	Revenue			Contribution		
	H12010	H12009	+ / -	H12010	H12009	+ / -
<i>In thousands of AUD</i>						
ALS Minerals	97,630	165,956	-41.2%	24,629	64,974	-62.1%
ALS Environmental	119,055	108,292	+9.9%	26,015	16,527	+57.4%
ALS Coal	31,180	27,805	+12.1%	8,502	5,445	+56.1%
ALS Tribology	15,435	7,494	+106.0%	2,683	931	+188.2%
Campbell Chemicals	79,137	81,940	-3.4%	4,074	5,216	-21.9%
Reward Distribution	61,300	67,717	-9.5%	2,140	2,343	-8.7%
Eliminations*	(2,831)	(2,846)	-	-	-	-
Total segments	400,906	456,358	-12.2%	68,043	95,436	-28.7%
Net profit after tax				38,259	57,044	-32.9%

*Intersegment revenue is generated by Campbell Chemicals from sales to other segments



In reviewing the Company's results, Campbell Brothers Managing Director, Greg Kilmister said that the ALS Minerals business experienced a significant reduction in sample volumes compared with the previous corresponding period as global exploration activity fell by approximately 50 percent in response to tight credit conditions.

"Whilst the contribution margin as a percentage of revenue fell substantially from the previous year, the division's ability to react quickly in reducing its variable costs produced a strong margin performance given the difficult market conditions.

"The division experienced improving business volumes in the September 2009 quarter", he added.

The ALS Environmental division produced a strong result for the half year to September 2009, with the increase in revenue driven by both acquired and organic growth. Cost control initiatives across all regions resulted in a significant improvement in contribution margin from 15.3 percent to 21.9 percent.

In relation to the ALS Coal business, Mr Kilmister said increasing levels of global export activity driven by higher coal prices and improving industry sentiment provided the impetus for a healthy performance across all regions.

"The division maintained its focus on efficiency during the half year producing a strong improvement in contribution margin on revenue. The African coal business rebounded from a sluggish start to the year, and the new coal laboratory in North America is now fully functional".

The ALS Tribology business had the benefit of a full six months' contribution from its North American business, Staveley Services (acquired August 2008) in the half year to September 2009.

"When combined with organic growth in other regions this enabled the division to more than double the half year revenue of the previous corresponding period" Mr Kilmister said.

The Campbell Chemicals division experienced varied economic conditions across its many markets in Australasia and the Pacific.

Mr Kilmister said that tighter margins on sales and the weakening US dollar affected the performance of the industrial chemicals business, while a focus on client service and operational efficiency enabled the Panamex trading business to produce an improved revenue and margin performance.

Reward Distribution realised reduced revenue as a result of tight tourism and hospitality markets, strong competition and the continuing reassessment of target markets.

"The business is realising the benefits of cost control initiatives of the previous twelve months as evidenced by maintaining contribution margin on revenue despite falling sales", Mr Kilmister said.

The business relocated its headquarters to a new centralised warehouse and administration centre at Yatala (South East Queensland) replacing it's Brisbane and Gold Coast premises.



Mr Kilmister said the Company is continuing to invest in future growth through acquisitions.

In recent months, the Company has announced two important acquisitions in Australia and undertaken a rights issue.

On 1 October 2009, the Company announced a one-for-six renounceable rights issue of ordinary shares in the Company at \$22.00 per share. The issue closed oversubscribed on 2 November 2009 and raised approximately \$191 million net of underwriting fees and other costs. A total of 8,939,575 new shares were allotted on 11 November 2009.

On 27 October 2009 the Company through its wholly-owned subsidiary, Australian Laboratory Services Pty Ltd (ALS) announced a cash takeover offer for all of the ordinary shares of PearlStreet Limited (PST) at 75 cents per share. The directors of PST have unanimously agreed to recommend the offer in the absence of a superior proposal. A Bidder's Statement and a Target's Statement were dispatched to PST shareholders on 12 November 2009. As of 23 November 2009, ALS has received acceptances for more than 60% of PST's ordinary shares, including acceptance from PST's major shareholder and Managing Director, Mr Anthony Wooles, the directors of the PST board and a number of large institutional shareholders.

Perth-based PST is listed on the Australian Securities Exchange and is the largest Non Destructive Testing services provider in Australia. It provides testing, inspection, and asset care services to the energy, resources and infrastructure sectors. The offer for PST represents total consideration of approximately \$108 million, comprising \$64 million for equity and \$44 million for net debt.

On 12 November 2009 the Company through its wholly-owned subsidiary, Australian Laboratory Services Pty Ltd announced that it had executed an agreement to acquire 100 percent of Ecowise Environmental Pty Limited (Ecowise) for a total consideration of \$51 million. The consideration comprises \$40 million for equity and \$11 million of assumed debt. Ecowise operates laboratories and aligned environmental services in Australia, focusing on the water sector, across 17 east coast laboratories and offices.

"The combination of these new businesses and existing operational capacity will place the Group in a strong position to take advantage of opportunities as business conditions improve" Mr Kilmister said.

ENDS:

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