

21 August 2007

**SKILLED Group to undertake its largest acquisition to date with the purchase of Offshore Marine Services**

**TRANSACTION SUMMARY**

- SKILLED Group Limited ("SKILLED") (ASX: SKE) has entered into a contract to acquire the manning business of Offshore Marine Services ("OMS").
- OMS operates predominantly in Australia and New Zealand with developing businesses centred in the United Kingdom, Malta and Dubai to service the international offshore oil and gas industry.
- OMS provides experienced drilling and marine crews to a premium client base consisting of blue chip and secondary service businesses in the offshore oil and gas sector.
- The Australian and New Zealand manning business has been acquired for an estimated \$121 million with \$79 million paid upfront. The balance will be deferred over a three year period based on a multiple of 5.75 times EBITDA for the 2008 (80% weighting less the upfront payment), 2009 (10% weighting) and 2010 (10% weighting) financial years.
- There will be no upfront payment for the UK, Malta and Dubai International manning business. The purchase consideration will be paid over a three year period commencing in the 2009/2010 financial year based on a multiple of 5.75 times EBITDA for the 2010 (50% weighting), 2011 (25% weighting) and 2012 (25% weighting) financial years.
- OMS is forecasting revenue around \$209 million and an estimated EBITDA of \$22.5 million for the 2007/08 financial year. The expected impact to SKILLED Group for the post acquisition period in 2008 is approximately \$173 million revenue and \$18 million EBITDA.
- SKILLED Group has extended its bank debt funding facilities to \$350 million and the acquisition will be fully debt funded with SKILLED Group's gearing estimated around 62% at 30 June 2008.
- Senior Management across OMS have been locked into three or five year employment contracts with SKILLED Group and OMS will continue to operate as an autonomous brand.
- The acquisition of OMS provides SKILLED Group with low risk expansion offshore.
- The acquisition provides SKILLED Group with scale and further expertise in the oil and gas sector.
- The deal is expected to complete on 31 August 2007.

## **STRATEGIC RATIONALE**

There are several compelling reasons for the transaction:

### *Excellent strategic fit*

The acquisition of OMS builds further scale and increases SKILLED Group's market share in the oil and gas sector.

### *Well managed business*

OMS has a strong management team, talented staff and a quality client base consisting of blue chip and secondary service companies in the oil and gas sector.

### *Consistent with SKILLED Group's growth strategy*

The acquisition of OMS is consistent with SKILLED Group's strategy to continue to grow our portfolio of staffing services brands through the acquisition of businesses that build on our position and increase our market share in key industry sectors.

### *Strong Safety culture*

OMS and SKILLED Group share a very strong safety culture. OMS has quality safety systems and processes which is reflected in their lost time injury frequency rate (LTIFR) of 1.52 for their Australian and New Zealand businesses.

### *Low operational risk*

SKILLED Group already has exposure to the oil and gas sector in Australia. In addition, key management have been locked into employment contracts with SKILLED Group for the next three to five years and the business will continue to operate as an autonomous brand.

### *Low risk expansion offshore*

The operations of OMS in UK, Dubai and Malta enable SKILLED Group to expand offshore in a low risk manner. Existing management have been retained and the purchase price for the UK and International operations is based on the future earnings of the business.

### *Positive outlook for oil and gas sector*

Worldwide energy demand continues to increase with world oil demand increasing from 83 million barrels per day to 97 million in 2015 and 118 million in 2030. In Australia there were 28 fields in construction or consideration in 2006 with the Australian Government releasing an additional 34 areas, located in six sedimentary basins offshore, in 2007 to encourage investment in petroleum exploration.

Commenting on the acquisition Greg Hargrave, SKILLED Group's MD and CEO said:

"Today represents an exciting new chapter for SKILLED Group as we embark on our largest acquisition in our 43 year history and expand our operations internationally. We have a solid record of acquiring businesses and building on the opportunities that arise."

"The acquisition is consistent with our strategy of growing our business in key industry sectors and developing our capabilities in the Australian market before expanding offshore. OMS provides us with a low risk entrée into the international oil and gas sector and we look forward to working with the management of OMS to grow the developing businesses in Malta, Dubai and the UK."

"The oil and gas sector is experiencing rapid growth with unprecedented demand for energy buoyed by the rapid expansion of Asia and strong economic conditions. Within Australia, many potential offshore basins remain unexplored and as the market leader in the provision of personnel to the industry, the future success of OMS looks assured."

"Importantly, OMS have a strong safety culture and a quality team of people and we look forward to welcoming them to the SKILLED Group."

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### **About Offshore Marine Services**

Offshore Marine Services is a leading provider of drilling, marine and catering personnel to the oil and gas industry. With offices located in Australia, New Zealand, United Kingdom, Dubai and Malta, OMS provides rig positioning, marine consultancy services and offshore catering services to a range of blue chip and secondary service businesses. OMS employs 73 staff and around 1,500 field employees worldwide.

### **About SKILLED Group**

SKILLED Group Limited is Australia and New Zealand's leading provider of labour hire and staffing services. SKILLED Group has over 150 offices across Australasia with annualised revenues around \$2 billion. SKILLED partners with clients to improve their workforce efficiency and increase their productivity levels and provides staffing services to the blue collar, call centre and nursing sectors. SKILLED is listed on the Australian Stock Exchange (ASX: SKE) and has approximately 6,200 shareholders, predominantly in Australia.