

2008/09 Half Year Results

25 February 2009

safety • knowledge • integrity • leadership • production
people • risk management • specialist skills • safety
productivity • innovation • delivery • people • risk
leadership • productivity • innovation • delivery
specialist skills • safety • knowledge • integrity
delivery • people • risk management • specialist

Greg Hargrave, MD and CEO
Terry Janes, CFO

SKILLED Group

Agenda

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- Results highlights
- Financial analysis
- Current business conditions
- Segment reporting
- Outlook

1H09 Highlights - A Record Result

- Strong financial performance
 - Revenue up 16% to \$1,067.4M, including 5% organic revenue growth
 - EBITDA up 39% to \$56.8M
 - Improved EBITDA Margin of 5.3%
 - Underlying NPAT up 48% to \$25.8M
 - Strong operating cash flow of \$50.7M
 - Reported EPS up 30% to 17.5 cps
 - Interim dividend maintained at 9.0 cps, fully franked
- Recent acquisition, Offshore Marine Services (OMS) continued to perform well ahead of expectations
- Current focus is to maximise cash generation, sustain profitability and reduce debt
- Diversified earnings base provides insulation during an economic downturn

Highlights

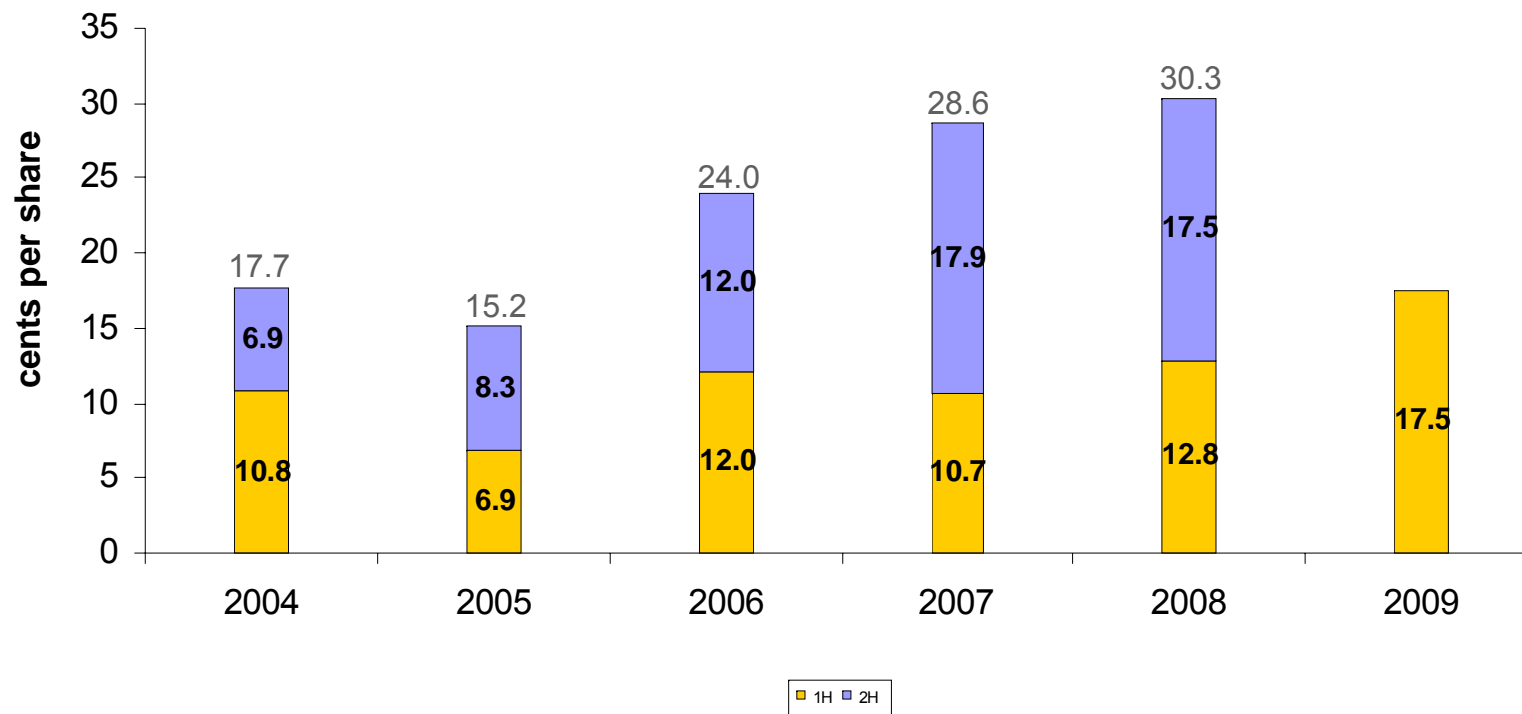
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\$M	HY09	HY08	change
Revenue	1,067.4	917.1	+ 16 %
<i>Revenue – organic growth</i>			+ 5 %
EBITDA	56.8	41.0	+ 39 %
Reported NPAT	21.4	14.5	+48%
<u>Adjustments:</u>			
Notional interest on earn-out liabilities (non-cash)	2.7	1.1	
Amortisation of intangible assets (non-cash)	1.7	1.8	
Underlying NPAT	25.8	17.4	+48%
Reported EPS (cps)	17.5	13.5.	+30 %
Fully franked interim Dividend per Share (cps)	9.0	9.0	-

Strong Earnings per Share Growth

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Earnings per Share (excluding divestments)



- Results highlights
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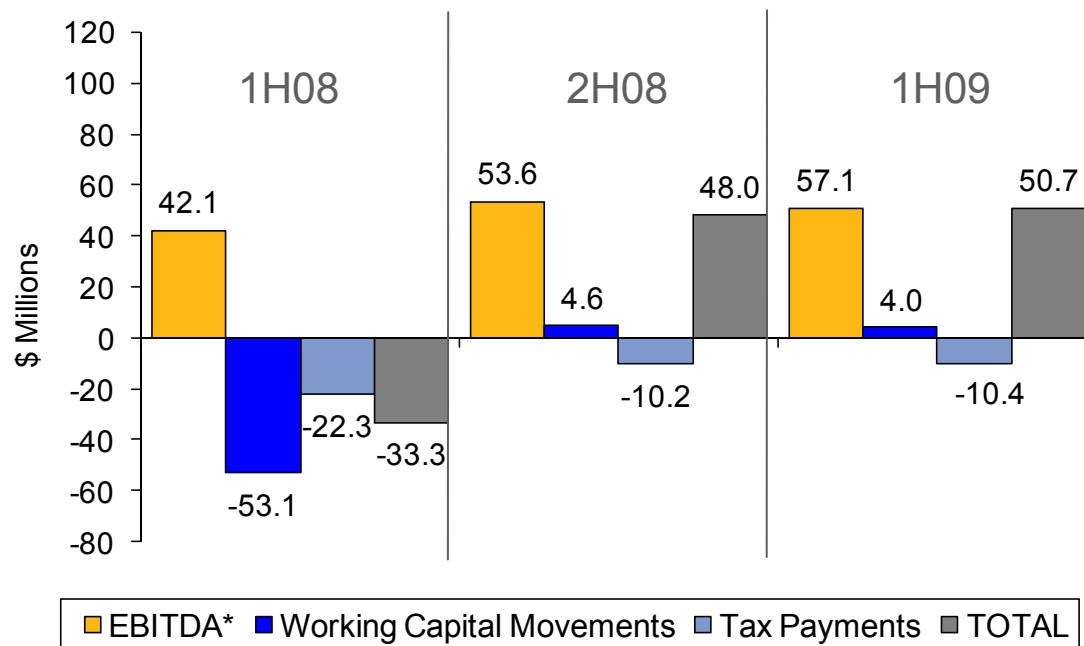
Financial analysis

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\$M	HY09	HY08	Change
Revenue	1,067.4	917.1	+ 16%
EBITDA	56.8	41.0	+ 39%
EBITDA Margin %	5.3	4.5	
<i>D&A of fixed assets, software & databases</i>	8.1	7.2	
<i>Amortisation of acquired intangibles</i>	2.4	2.5	
Total D&A (as reported)	10.5	9.7	+ 8%
<i>Net Interest Expense on Debt</i>	11.3	8.8	
<i>Notional interest on earn-out liabilities (non cash)</i>	2.7	1.1	
Total Net Interest Expense (as reported)	14.0	9.9	+ 41%

Strong Operating Cash Flows in 1H09

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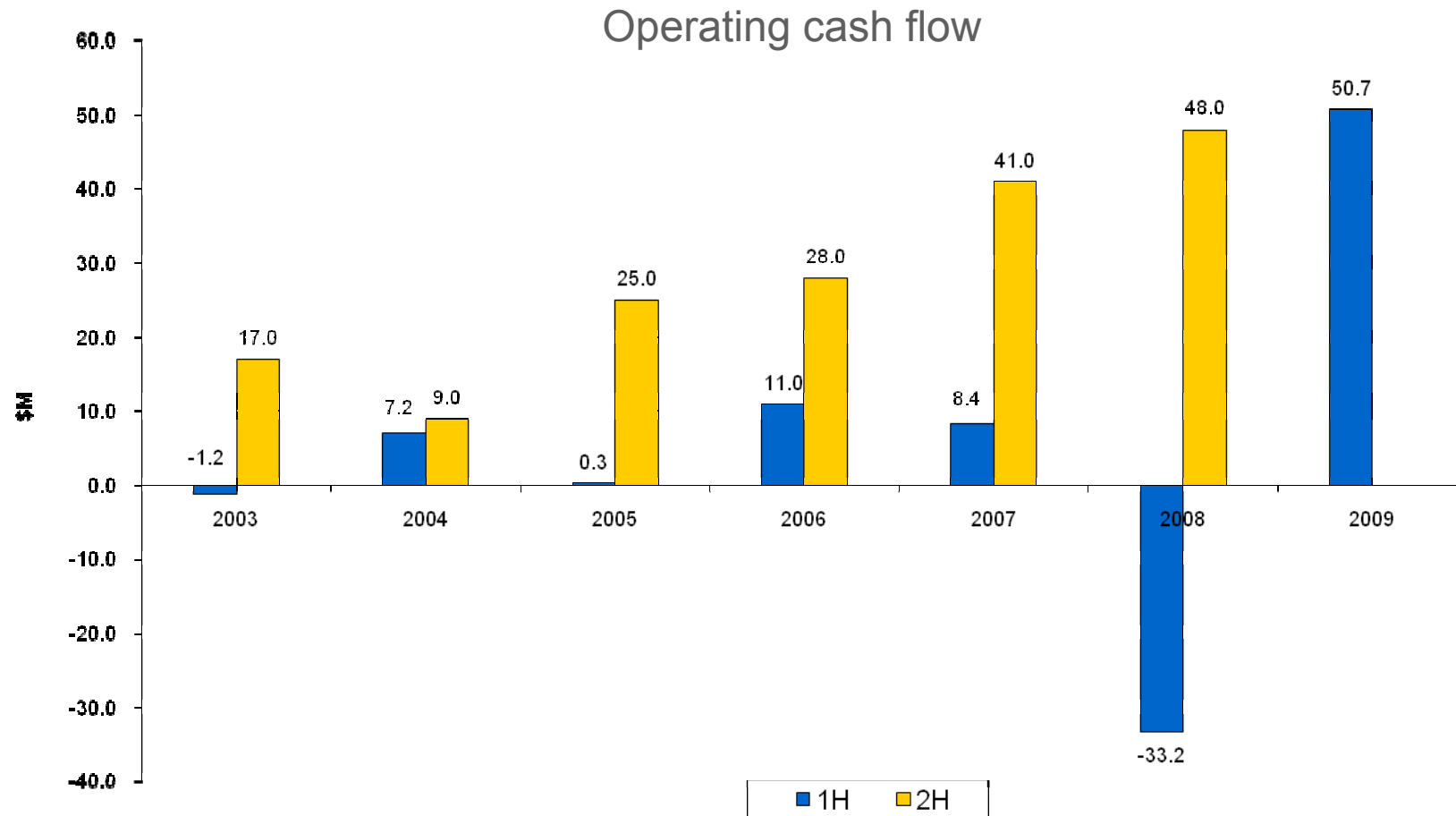


* EBITDA adjusted for non-cash items

- Strong 1H09 operating cash flows of \$50.7M continued the trend from 2H08
- Negative cash flow in 1H08 was a one-off due to higher tax payments and increased investment in working capital which was significantly impacted by acquisitions at the time

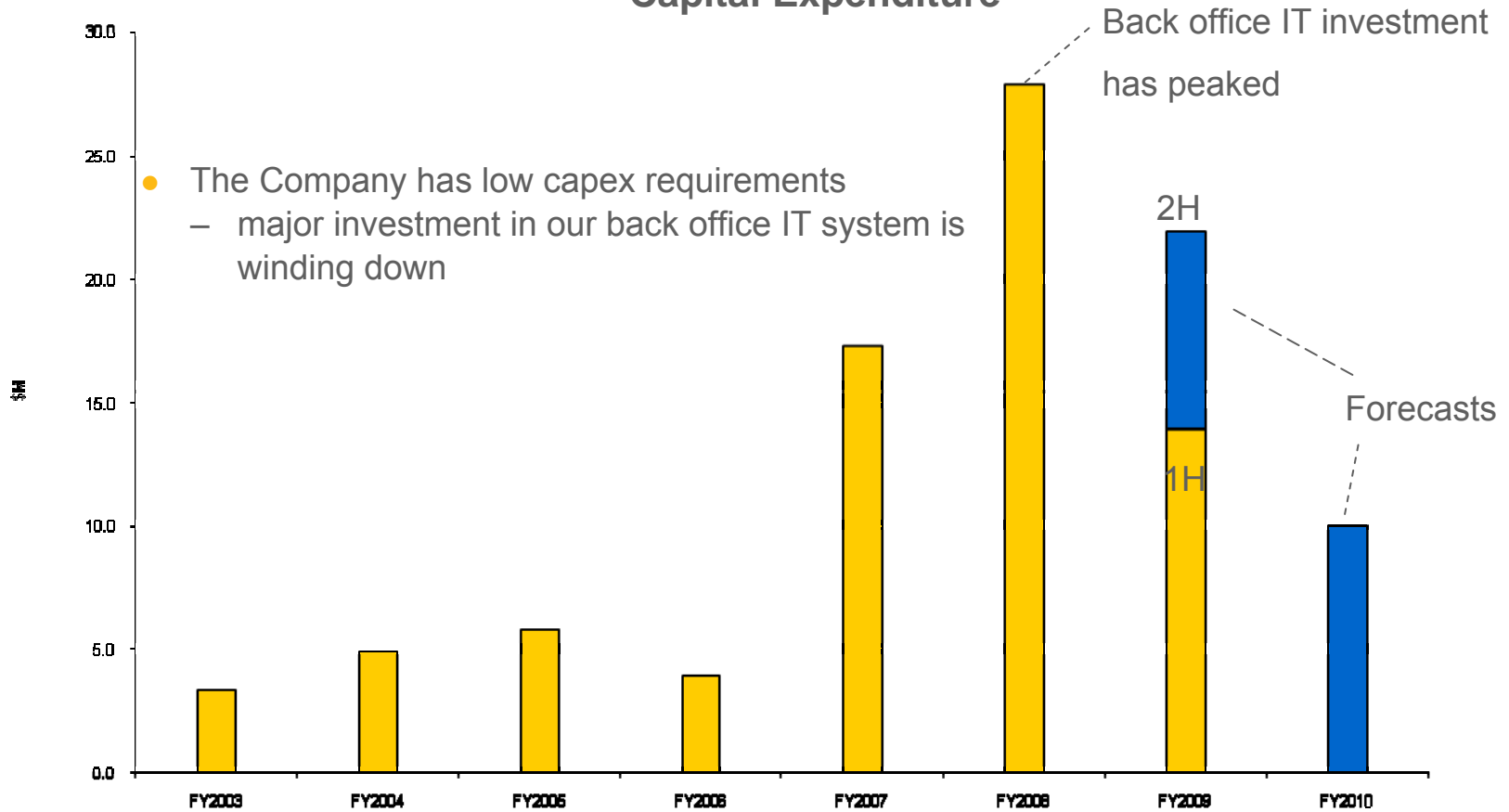
We have strong sustainable cash flows

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Our Capex requirements have peaked

Capital Expenditure

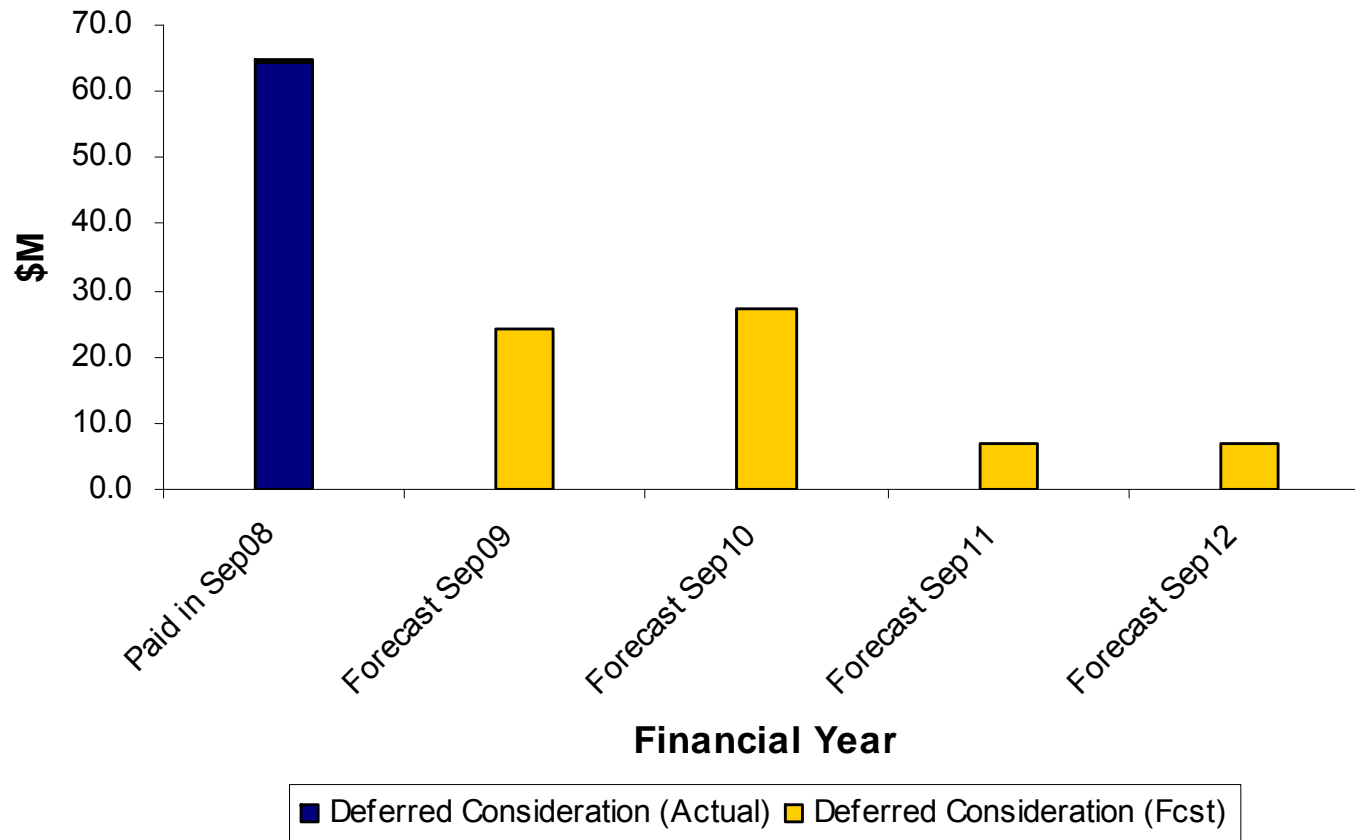


- The Company has low capex requirements
 - major investment in our back office IT system is winding down

Our future Earn Out payments are lower and are fully dependent on earnings generated by the businesses

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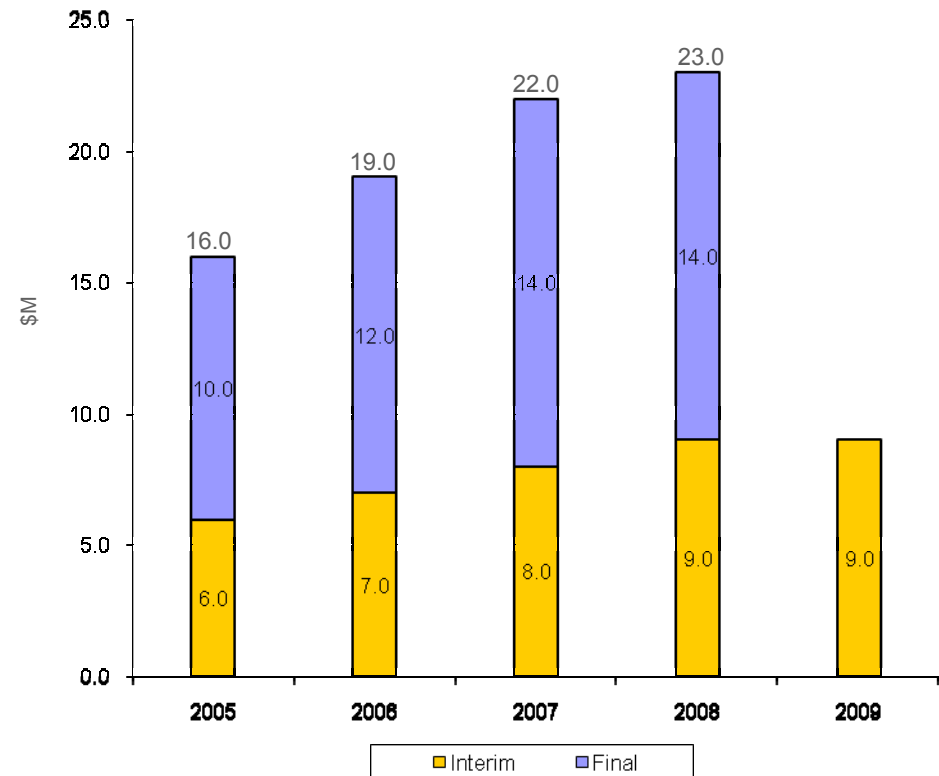
Cash Acquisition Payments



Interim dividend maintained at 9.0 cps

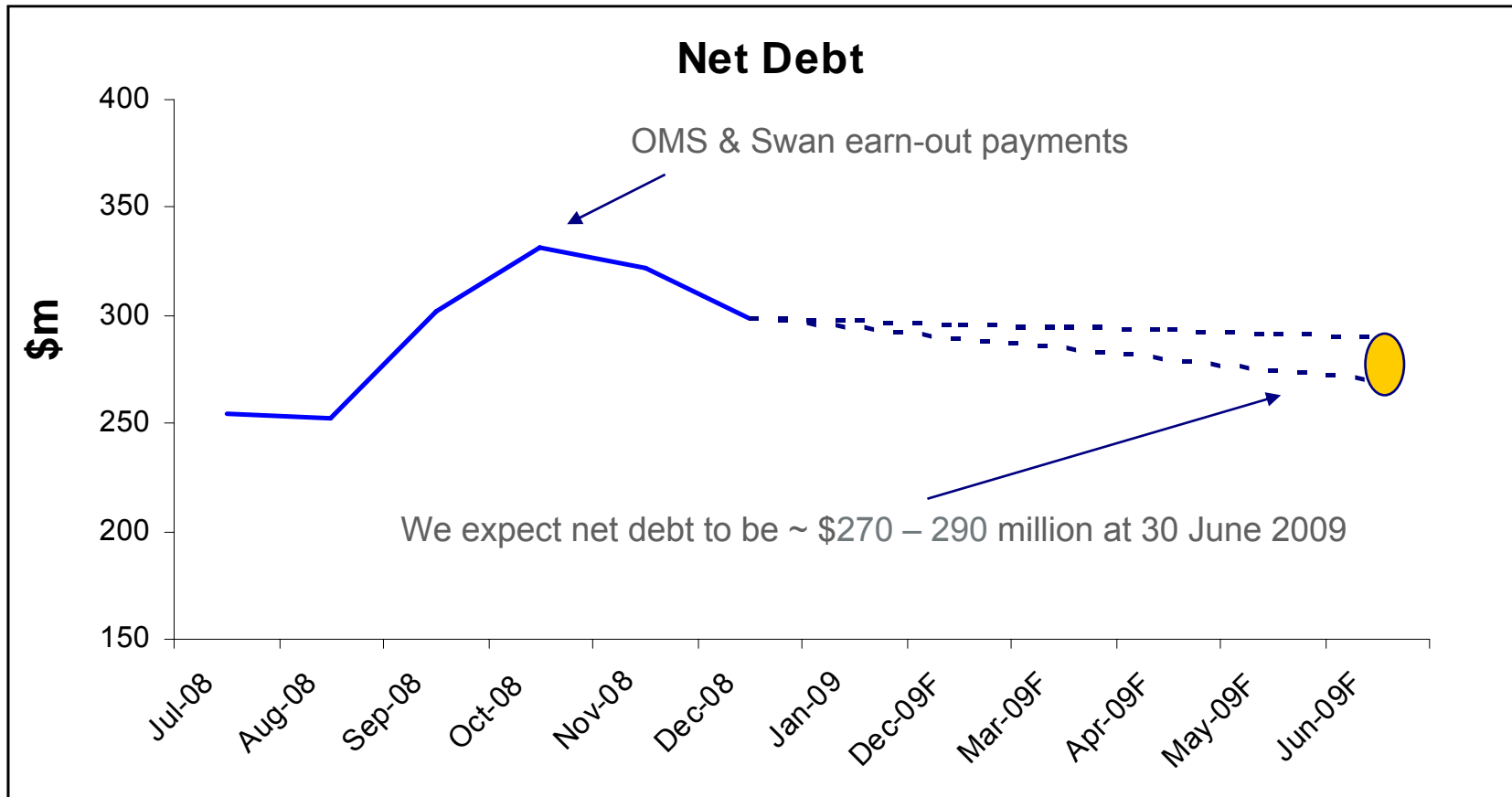
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- The interim dividend has been maintained at 9.0 cps (fully franked)
- Future cash flow and earnings will continue to support the dividend
- Payout ratio is at a historically low level



Our debt level has peaked

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Debt position – nil debt maturing in next 12 months

- We successfully refinanced our debt in May 2008 and our debt maturity dates are locked in:
 - Tranche A (\$175M) August 2011
 - Tranche B (\$175M) August 2010
- We have a quality, supportive relationship with our banking syndicate
- We have strong operating cash flows to progressively pay down debt and the Board continues to assess debt reduction strategies

		Dec08
Net Debt	\$M	299.1
Interest Cover¹ (EBITDA / Interest Expense ²)	times	5.0
Gearing (net debt / {net debt + equity})	%	57

¹ Rolling 12 months

² Excludes notional interest on earn-out liabilities

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We are well positioned to weather the Economic Downturn

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- **We are not immune from an economic downturn but we are well positioned to weather the slowdown**
 - maintenance work increases as capex spend declines
 - companies implement headcount freezes and utilise labour hire for flexibility
 - companies need immediate access to labour when the economy starts to strengthen
- **Our client base is predominantly blue chip companies minimising our exposure to bad debts**
- **To retain business, pricing may come under pressure but our continued cost management focus will help to preserve profitability**
- **Medium term fundamentals have not changed**
 - demographic shift continues to result in labour and skills shortages
 - increasing desire for workforce flexibility
 - increasing desire for a more sophisticated and capable supplier

Management began planning for a possible downturn in early 2H08

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- Close cost control and savings initiatives commenced in 2H08
 - reduced net headcount to date: circa 140+ people (10% of total headcount) incurring redundancy costs of ~\$1.7M; resulting in annualised cost savings of ~\$12M
 - reduced discretionary spending
 - branch closures / mergers / relocations
- We continue to carefully manage our day-to-day operations
 - driving through business improvement projects
 - removing non-critical expenditure
 - managing cash flow
- We continue to closely monitor the external environment
- **We will exit this downturn with greater operating efficiencies and competitive advantage, providing long term benefits**

We have a flexible cost base

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Our cost base:



25,000+ field employees (92% casual)

- high flexibility
- paid only if they work



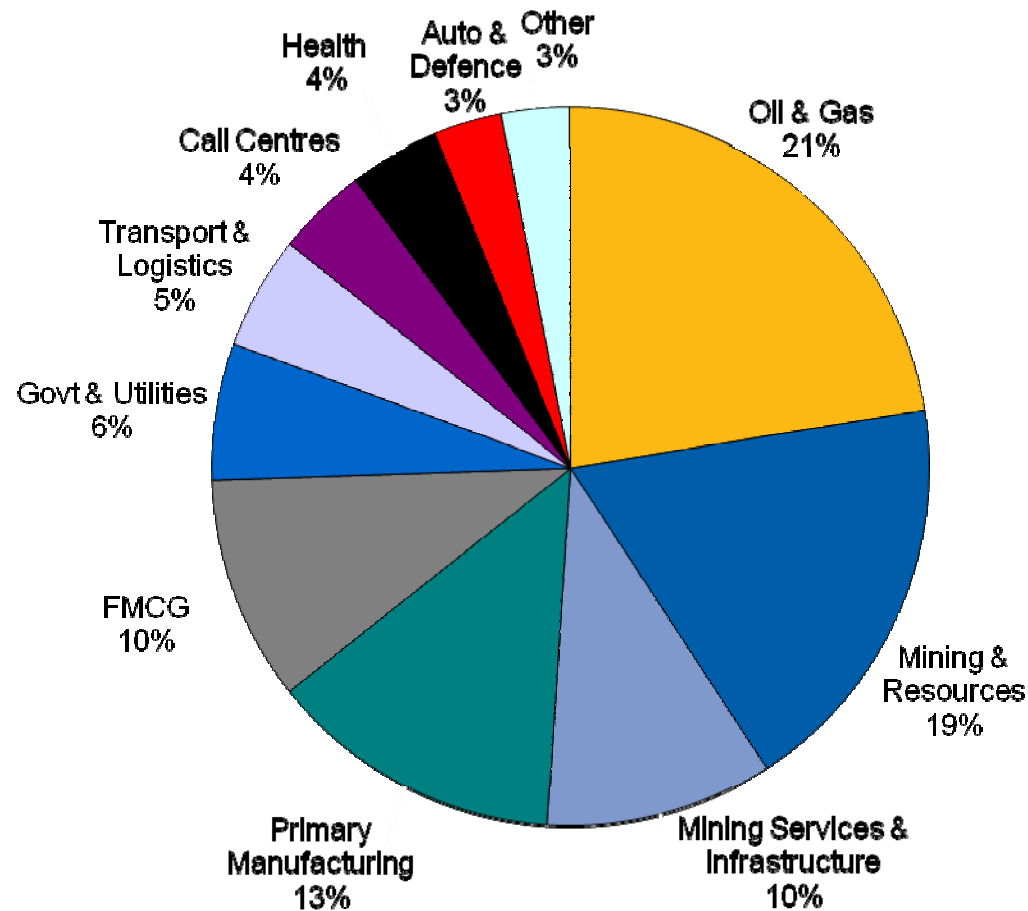
1,450 staff

We are not a capital intensive business and do not have plant and property to maintain:

- Low capex requirements
- Property is leased
- Motor vehicles are leased

Strength through diversity

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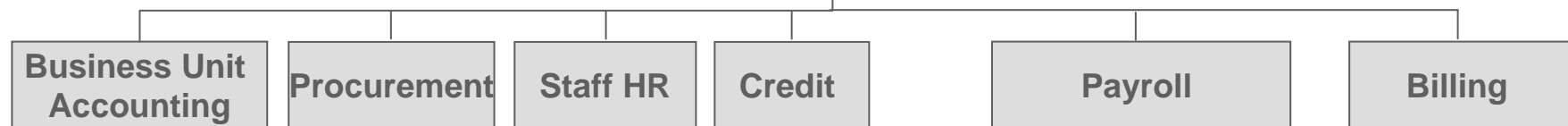
- Continued strong demand in oil & gas, FMCG, govt & utilities (particularly rail)
- Some manufacturing & automotive severely impacted
- Opportunity to pursue industries that are counter-cyclical (infrastructure)
- Able to redeploy employees to other industry sectors

based on 1H09 revenue of \$ 1,067.4M

Our infrastructure investment is starting to deliver operational efficiencies

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SKILLED GROUP SHARED SERVICES



Implementation complete

Delivery in next 6 months

BENEFITS

- Centralised resources and processes enabling Business Units to focus on core business operations and lower costs
- Creating consistency across Business Units
- Enabled more consistent KPI reporting on a weekly basis

- Streamline and automate payroll and billing processes to deliver an enhanced service to clients and employees
- Lower costs, improve productivity and deliver operational efficiencies for SKILLED Group
- Provide more detailed client and employee reports on a daily basis

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SKILLED Group Limited – Segment Reporting

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Workforce & Maintenance Services



Other Brands



Workforce & Maintenance Services

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\$M	1H09	1H08	Change
Revenue	635.9	621.9	2%*
EBITDA (before corp cost allocation)	37.5	36.6	2%
EBITDA Margin	5.9%	5.9%	
Corporate Costs Allocation	-7.0	-8.9	
EBITDA (after corp cost allocation)	30.5	27.7	10%
EBITDA Margin	4.8%	4.5%	

* like-for-like organic growth change 0%


Workforce Services: flat revenue offset by cost management focus

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- Flat revenue growth from Workforce Services (SKILLED, Extraman & TESA) due to economic slowdown
- Continued focus on stringent cost management helped to preserve profitability
- Strong growth in FMCG, rail, infrastructure and utilities mitigated declining revenue in manufacturing and automotive
- Workforce Services was restructured from State based focus to regional focus
 - reduced costs
 - streamlined operations
 - enable better service of clients and employees
- Robust growth in FMCG, infrastructure and rail (particularly across SA, VIC and NSW), expected to continue

Strong performance from our maintenance services business

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- Maintenance Services division re-branded  in September 2008
 - bringing together SKILLED Services, Waycon (TESA Acquisition) and Pacific Relines
 - target existing WFS clients
- Maintenance and Project Services is a \$29 billion industry
 - estimated 54% of maintenance work is outsourced
- ATIVO focused on
 - contract maintenance
 - project services (predominantly ‘fit & finish’ projects)
 - shutdowns and outages
- Solid result in 1H09 due to several high margin projects

Other Brands: OMS, Swan Contract Personnel, Excelior, Origin, Mosaic & PeopleCo.

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\$M	1H09	1H08	Change
Revenue	433.2	297.4	46%*
EBITDA (before corp cost allocation)	30.9	17.1	81%
EBITDA Margin	7.1%	5.8%	
Corporate Costs Allocation	-4.7	-3.8	
EBITDA (after corp cost allocation)	26.2	13.3	97%
EBITDA Margin	6.0%	4.5%	

* like-for-like organic growth change 19%

Offshore Marine Services (OMS) and Swan Contract Personnel

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- **OMS**

- continued to exceed expectations
- stellar performance from OMS Australia
- growing contribution from UK, Malta and Dubai
- growth prospects remain strong, particularly for OMS Australia



- **Swan Contract Personnel**

- strong performance with solid revenue and earnings
- continue to leverage off strong client relationships
- focus on maintaining and growing market share



Excelior

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- Strong revenue and profit
 - high call centre utilisation
- Secured major government contract
 - three year tenure
- AAPT continued to ramp down at a slower pace than anticipated
- Good pipeline of opportunities going forward
 - growing trend to outsource during economic downturn



customer contact solutions

Other brands

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- Origin Healthcare
 - flat revenue and earnings
 - secured several new clients across aged care, community care and at home care
 - launched a permanent recruitment business
- Mosaic Recruitment
 - solid revenue
 - strong growth in temporary placements offset decline in permanent recruitment
 - good pipeline of opportunities in temp / contracting
- PeopleCo.
 - still in start up phase
 - growth in temporary revenue offset decline in permanent recruitment

The logo for Origin Healthcare features the word "Origin" in orange and "Healthcare" in blue, with a curved orange line above the "Origin" text.The logo for SKILLED Group features the word "SKILLED" in blue with a yellow underline, followed by the word "Group" in grey.

- Performance highlights
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Our Outlook

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- **We remain confident of our ability to continue to deliver during these turbulent times**
 - industry diversification is protecting our earnings
 - opportunities to more aggressively pursue counter-cyclical sectors
 - strong market leading position in chosen sectors
 - continued focus on cost management
- **We are well positioned for this point in the cycle relative to other players in our industry and expect to further grow our market share**
- **Our short term focus**
 - to maximise cash generation from existing businesses,
 - continue to pay down debt
 - strengthen client relationships and our market position
- **Our long term goal to continue to grow the business both organically and through industry consolidation remains unchanged**

Our Earnings Guidance

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- EBITDA of \$100 - \$110 million
- Total depreciation and amortisation of approximately \$21 million
- Reported NPAT of \$34 - \$41 million
 - Adjusted for:
 - > Notional interest on earn-out liabilities of approx \$4 million
 - > Amortisation of acquired intangibles of approx \$3 million
- Underlying NPAT of \$41 - \$48 million

APPENDICES

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people • risk management • specialist skills • safety
productivity • innovation • delivery • people • risk
leadership • productivity • innovation • delivery
specialist skills • safety • knowledge • integrity •
delivery • people • risk management • specialist

SKILLED Group

SKILLED Group (at 20/02/2009)

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ASX Code: SKE
Share Price: \$1.45
Shares on Issue: 122,984,899
Market Capitalisation: \$178,328,104

Half Year Comparison

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\$M	1H08	2H08	1H09
Revenue	917.1	1012.5	1,067.4
<i>Revenue – organic growth</i>			5%
EBITDA	41.0	53.1*	56.8
Reported NPAT	14.5	20.0*	21.4
Underlying NPAT	17.4	25.0	25.8
Reported EPS (cps)	13.5	21.0	17.5
Dividend per Share (cps)	9.0	14.0	9.0

* Excluding divestment of SEM Fire & Rescue

Half Year Comparison: Workforce & Maintenance Services

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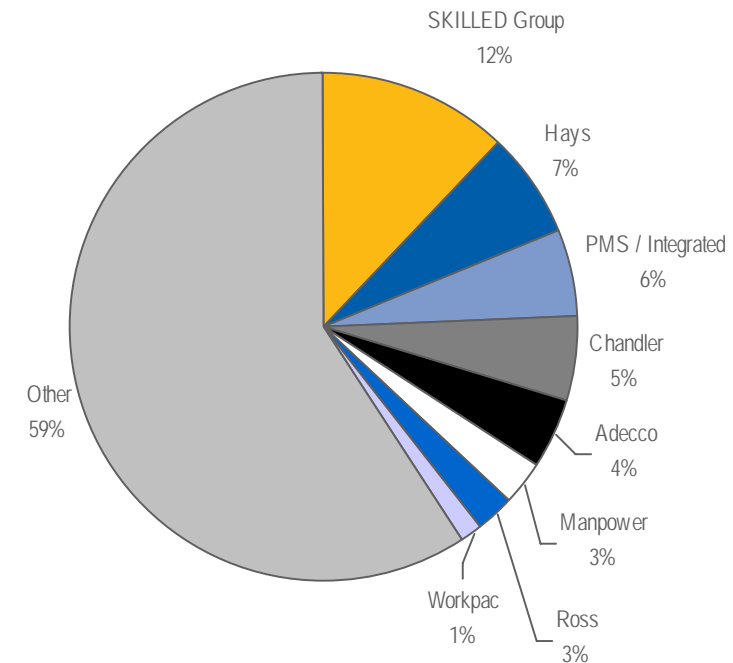
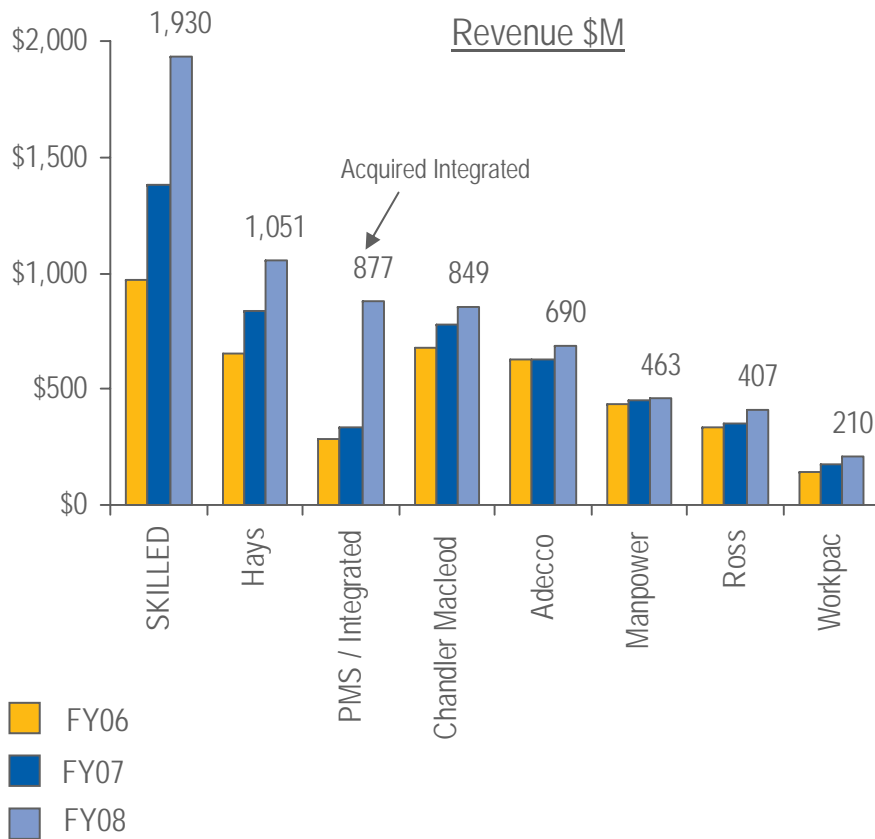
\$M	1H08	2H08	1H09
Revenue	621.9	643.8	635.9
EBITDA (before corp cost allocation)	36.6	36.2	37.5
EBITDA Margin	5.9%	5.6%	5.9%
Corporate Costs Allocation	-8.9	-8.2	-7.0
EBITDA (after corp cost allocation)	27.7	28.0	30.5
EBITDA Margin	4.5%	4.4%	4.8%

Half Year Comparison: Other Businesses

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\$M	1H08	2H08	1H09
Revenue	297.4	369.8	433.2
EBITDA (before corp cost allocation)	17.1	28.2	30.9
EBITDA Margin	5.8%	7.6%	7.1%
Corporate Costs Allocation	-3.8	-3.1	-4.7
EBITDA (after corp cost allocation)	13.3	25.1	26.2
EBITDA Margin	4.5%	6.8%	6.0%

Market Share & Competitors



Estimated market share of 12%

Currently:

- 3,000+ organisations
- large number of specialist / regional based small firms
- few large companies operating nationally

2008 / 2009 Acquisition summary

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Business contribution by months	1H09	1H08
Offshore Marine Services (Australia and New Zealand)	6	4
Offshore Marine Services (UK, Malta and Dubai)	6	2
Hudson Trade and Industrial	6	2
Longhill Group	6	0
Tradeforce NZ	6	0