

21 February 2007

**SKILLED Group reports increased revenue and EBITDA  
for the period ended 31 December 2006**

**Financial Highlights**

- Revenue of \$607.7 million up 25 %
- Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) of \$26.5 million up 11 %
- Net Profit after Tax (NPAT) from continuing operations of \$11.1 million down 4%<sup>1</sup>
- Earnings per share (EPS) 10.7 cents (2005: 12.0) down 11%
- Interim dividend per share (DPS) 8.0 cents (2005: 7.0) up 14%

<sup>1</sup> reduced NPAT due to increased interest expense, and depreciation and amortisation, higher tax expense and acquisition integration costs.

**Operational Highlights**

- Increased market share while increasing or maintaining gross margins
- Catalyst and TESA integrations progressing well
- Continued focus on safety with lost time injury frequency rate (LTIFR) reducing to 1.3 (excluding acquisitions)
- Acquisitions of Damstra Mining Services (announced December 2006), Swan Contract Personnel and ICE Personnel (announced January 2007) to continue to build capability in staffing services
- Continued strong performance from SKILLED Brand
- Capitalised on opportunities in high growth states of Western Australia and Queensland
- Renegotiated debt funding facilities with improved terms and conditions

## **FINANCIAL PERFORMANCE**

SKILLED Group Limited ("SKILLED") (ASX: SKE) today reported revenue of \$607.7 million, up 25% from the corresponding period and an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) of 11% to \$26.5 million.

Net profit after tax (NPAT) from continuing operations was down 4% to \$11.1 million due to:

- a higher interest expense as a result of increased borrowings to fund acquisitions;
- increased depreciation and amortisation, a consequence of the Catalyst and TESA acquisitions;
- an increase in the effective tax rate; and
- acquisition integration costs.

Operating cash flow reduced to \$3.0 million at 31 December 2006 from \$10.3 over the same period, primarily a result of:

- acquisition integration costs of \$1.7 million;
- increased interest due to additional borrowings to fund acquisitions;
- higher tax payments; and
- timing differences with working capital flows.

TESA and Catalyst currently have a slower debtors collection rate providing an opportunity to improve cash flow.

As a result of recent acquisitions, gearing, expressed as net debt to net debt + equity, increased to 56.0% and interest cover is at 9.8 times. During the period, the Group's bank debt facilities were renegotiated with more favourable terms and conditions.

Commenting on the result Greg Hargrave, Managing Director and Chief Executive Officer said:

"Our strong performance in the first half of the 2006/2007 has been underpinned by solid organic growth from our SKILLED Brand. We continue to benefit from skills shortages and the trend to outsource labour, and our superior client value proposition has enabled us to increase or hold our gross margins."

"Since August 2006 we have undertaken five acquisitions at a cost of around \$170 million. These acquisitions have provided significant strategic benefits including increased exposure to the black coal mining and oil and gas sectors. In addition, they have provided us with a quality team of people, a deeper pool of field employees and expanded our client base."

"The integration of TESA and Catalyst is progressing well and I am pleased to report that we are on track to realise our synergy benefits by the end of year two. We have a team dedicated to ensuring a smooth integration and building our expertise in this important area."

"The safety of our people continues to be a key focus and a core competitive advantage and our lost time injury frequency rate reduced to 1.3, excluding our recent acquisitions. Over the next six to twelve months improving the safety performance of our acquired businesses will be a high priority and we expect it will create significant opportunities with our new clients."

"Momentum is building and we expect a stronger result in the second half as we benefit from the commencement of several infrastructure projects. Conditions are more buoyant across several States and our internal focus on improving our service offering to our clients and our field employees is translating to increased market share in our key industry sectors."

### **Fully Franked Interim Dividend**

The Board have declared a fully franked interim dividend of 8.0 cents per share (2005: 7.0 cents) to be paid on 18 April 2007 to all shareholders on the registry at 2 April 2007. The shares will trade ex-dividend from 27 March 2007 and shareholders will continue to have the option of participating in the Dividend Reinvestment Plan with a 2.5% discount.

## OPERATIONAL OVERVIEW

### SKILLED Brand

		31 Dec 06 <sup>1</sup>	31 Dec 05 <sup>2</sup>	Change %
Revenue	\$M	479.3	360.4	+33
EBITDA	\$M	20.3	17.9	+13
EBITDA Margin	%	4.2	4.9	
EBIT	\$M	17.3	16.4	+11
EBIT Margin	%	3.6	4.6	

<sup>1</sup> includes 4 months contribution from TESA and 3 months contribution from Catalyst's blue collar businesses

<sup>2</sup> includes divested SMS engineering business

The SKILLED Brand, which includes TESA and Catalyst's blue collar business, increased revenue by 33% to \$479.3 million. Earnings before interest, tax, depreciation and amortisation increased 13% to \$20.3 million.

The continued strength in the mining and resources sector, particularly in Western Australia and Queensland was a contributing factor to organic revenue growth of 13% and organic EBITDA growth of 16%. The drought continued to affect regional areas, particularly in New South Wales and Victoria and there were some delays in government sponsored infrastructure projects.

TESA's mining business produced solid results and a new branch was opened in December 2006. The Damstra Mining Services business, acquired in December, will be integrated into TESA over the coming months.

### Other Brands

		31 Dec 06	31 Dec 05	Change %
Revenue	\$M	129.0	126.8	+2
EBITDA	\$M	6.2	5.8	+6
EBITDA Margin	%	4.8	4.6	
EBIT	\$M	3.2	3.0	+7
EBIT Margin	%	2.5	2.4	

Other Brands, which include Extraman, Origin Healthcare, Excelior, PeopleCo, White Collar Brand and SEM Fire and Rescue, increased revenue to \$129.0 million and earnings before interest, tax, depreciation and amortisation was up 6% to \$6.2 million.

The Extraman business, which provides labour to the mining, resources and marine industries increased margins and profit contribution.

Origin Healthcare improved gross margins and the bolt-on acquisition of Locumitis in December provided entry into the locum doctor market in New South Wales and Southern Queensland.

The Excelior call centre business reported a decline in revenue but there has been a substantial increase in the investment and focus of the business. A second call centre opened in December in Box Hill, Victoria and a third larger centre will open in Shepparton in regional Victoria in March. In recognition of their growing presence in the call centre sector, Excelior was selected in February to take over the operation of AAPT's call centres in Bendigo, Victoria and Robina, Queensland.

## **Other Brands (con)**

Now in its second year of operation PeopleCo, a start up generalist staffing services business to the Small to Medium Enterprise (SME) market, reported a strong increase in revenue. Market share increased and 14 new offices were opened across the eastern seaboard.

The newly formed White Collar brand consists of Catalyst's white collar businesses and SKILLED's Teamwork brand and is focused on providing executive and support staff to the public and private sectors. The new brand name for the business will be launched to the industry shortly.

SEM Fire and Rescue reported solid revenue and earnings growth and has a strong order book going forward.

## **Recent Acquisitions**

In December, Damstra Mining Resources was acquired for \$7 million to build on SKILLED's position in the black coal mining sector. In January, SKILLED Group continued its consolidation of the Australasian staffing services market acquiring Western Australian business Swan Contract Personnel for an estimated \$44 million and Auckland based ICE Personnel for \$NZ1.5 million. Swan provides SKILLED with exposure to front end project work in the mining and minerals sector while ICE increases SKILLED's profile in New Zealand.

Commenting on SKILLED's plans for future acquisitions, Greg Hargrave said:

"There are some very good acquisition opportunities in Australia and New Zealand and we will continue to look at quality operators to further expand our staffing services model. We have renegotiated our debt funding facilities with improved terms and conditions and have sufficient borrowing capacity to undertake several bolt-on acquisitions while comfortably servicing our debt."

## **OUTLOOK AND GUIDANCE**

The demand for skilled labour remains high, particularly in the mining and resources and infrastructure sectors where more than \$300 billion worth of infrastructure projects is forecast over the next decade.

Commenting on the outlook, Greg Hargrave said:

"We are expecting a stronger second half buoyed by continued growth in Western Australia and Queensland and improving conditions across the other States."

SKILLED Group has revised its guidance to incorporate earnings from recent acquisitions and is now forecasting full year EBITDA between \$66 and \$69 million. Depreciation and amortisation is expected to increase in the second half to around \$8.4 million with full year NPAT of \$29 to \$32 million.

For further information please contact:

Susan Frost  
Group Manager Corporate Affairs  
SKILLED Group  
Tel: 0414 921 010