December 2003 Half Year Results and Origin Acquisition

18 February 2004

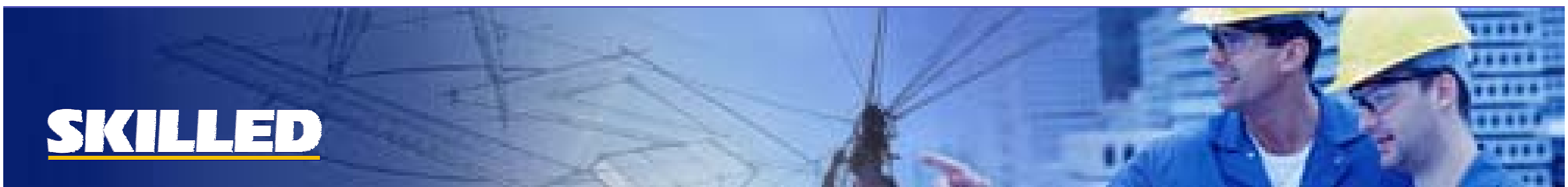
SKILLED

Overview

- Introduction
- Results
- Origin acquisition
- Conclusion

Strong half year result

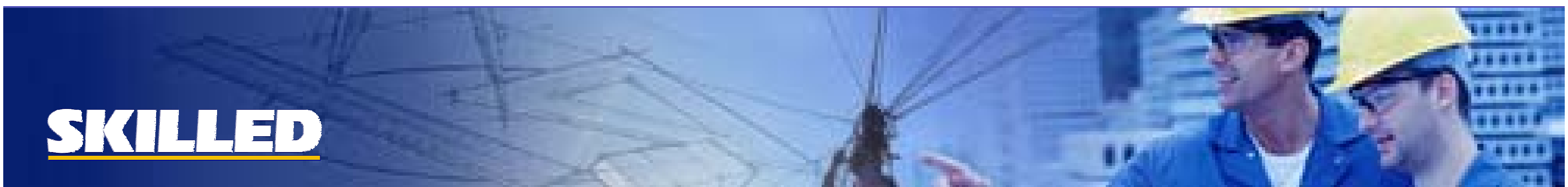
	First half 2003/04	First half 2002/03	Change
Sales ($m)	346.4	324.2	+7%
EBITDA ($m)	18.1	15.2	+19%
EBITDA margin	*5.2%*	*4.7%*	
EBIT ($m)	14.5	12.6	+15%
EBIT margin	*4.2%*	*3.9%*	
Net profit after tax ($m)	9.8	8.5	+15%
EPS (cents/share)	10.8	9.8	
Interim dividend (cents/share)	6.0 fully franked		



Adjustment for non-recurring items

Non-recurring items 2003/04	**$million**
Reversal of superannuation provision	$2.3
Initial costs for SA self insurance of workers compensation	-$1.3
	$1.0
Non-recurring items 2002/03	
Profit on sale of surplus maritime assets	$1.3
Superannuation expenses now reversed	-$0.8
	$0.5

EBIT adjusted to $13.5m (3.9%) compared to $12.1 million first half last year (3.7%), ie. an EBIT increase of 11.4%

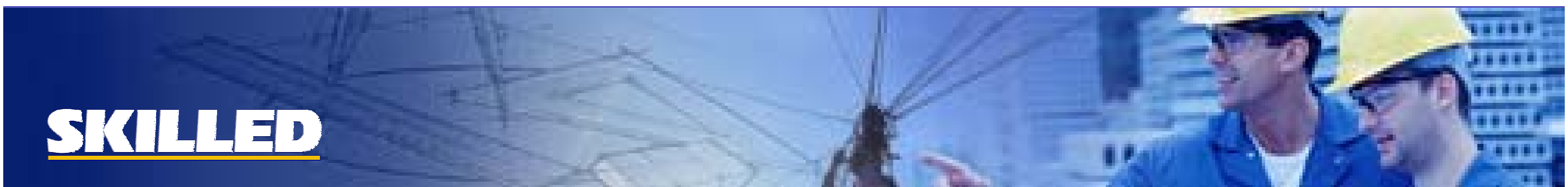


Debt / gearing

- Net debt of $10.2 million compared to
  - $8.7 million at 30 June 2003
  - $22.1 million at 31 December 2002
- Gearing (debt / debt + equity) of 13%
- Interest cover 33 times (12 months rolling)
- Strong operating cash flow

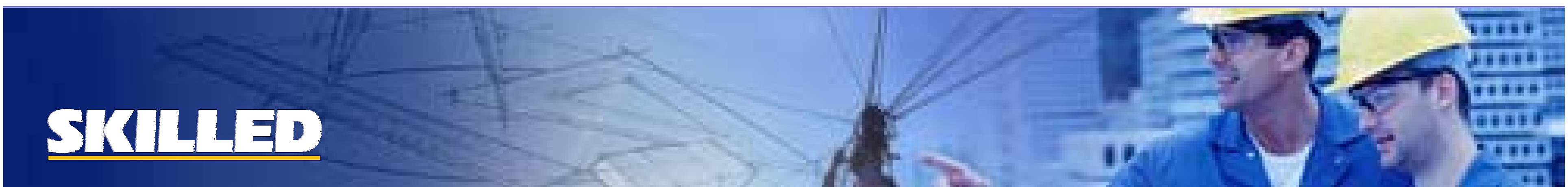
Key financial strategies

- Sales growth
- Margin improvement
- Capital management



Managed labour services

$'000	First half 2003/04	First half 2002/03	Change
– Including non-recurring items			
Sales	278,967	250,200	+11.5%
EBITDA	12,479	10,472	+19.2%
EBITDA margin	*4.5%*	*4.2%*	
EBIT	10,316	9,091	+13.5%
EBIT margin	*3.7%*	*3.6%*	
– Adjusted to exclude non-recurring items			
Sales	278,967	250,200	+11.5%
EBITDA	11,497	9,973	15.3%
EBITDA margin	*4.1%*	*4.0%*	
EBIT	9,334	8,592	+8.6%
EBIT margin	*3.3%*	*3.4%*	



Strategic initiatives

– Value added propositions and higher margin customers

– Continuous improvement in OH&S performance

– Strong focus on cost control

– Leveraging the cost base off higher sales

– Successful development of national tender team

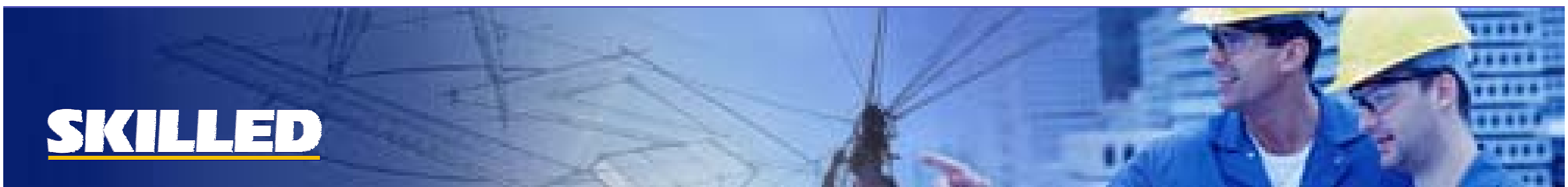
Where to from here

– Ongoing opportunities for organic growth

– Continuous refinement of business model

Infrastructure services

$'000	First half 2003/04	First half 2002/03	Change
– Including non-recurring items			
Sales	67,921	75,038	-9.5%
EBITDA	5,600	4,744	+18.0%
EBITDA margin	*8.2%*	*6.3%*	
EBIT	4,182	3,543	+18.0%
EBIT margin	*6.2%*	*4.7%*	
– Sales by business unit			
SEM	-24%		
Communications	-16%		
Power	+13%		



Strategic initiatives / where to from here

- Have successfully restructured communications business to address non-renewal of ANCC contract
- Undertaking strategic review of all business units within this division

Group outlook

- Second half
  - Strong demand for Staffing Services expected to continue
  - Non renewal of Telstra ANCC agreement will impact results
  - Will include 4.5 months of Origin results
- Full year
  - Expect full year net profit to be in range $15.5 million to $16.0 million

Origin acquisition - overview

- Acquiring Origin Healthcare
  - Australia's leading nursing agency network
- Total acquisition cost $57 million
  - Performance linked component
- Exposure to essential, non cyclical, high growth market
- Access to state of art technology and business platform
- Strong strategic fit
- Strong growth outlook

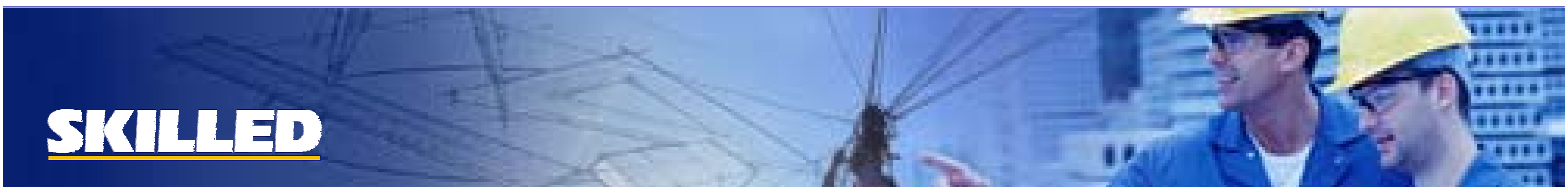
Australian healthcare market

- 1,257 hospitals managing 78,193 beds
  - 748 public hospitals managing 52,947 beds (68%)
  - 509 private hospitals managing 25,246 beds (32%)
- 3,875 aged care facilities managing 173,042 beds
  - 1,331 public facilities managing 46,085 beds (27%)
  - 2,544 private facilities managing 126,957 beds (73%)

Australian healthcare market

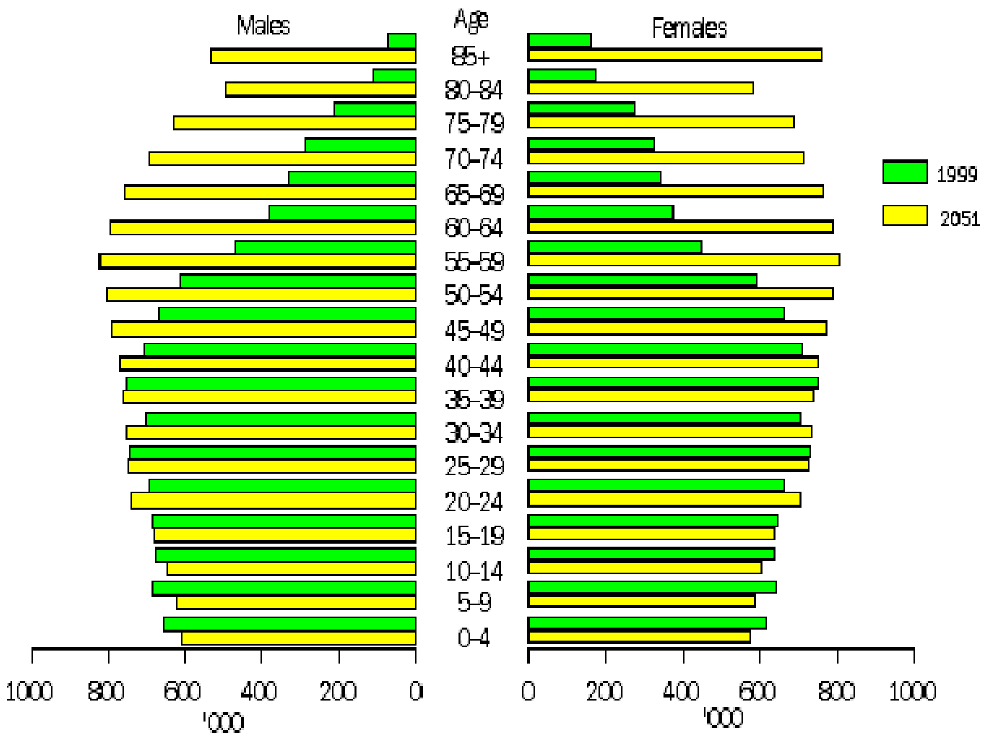
- Healthcare expenditure in Australia is about $75 billion or around 10% of GDP
  - Approx 70% spent on staffing
  - Approx $10 billion spent on nursing, $5 billion on nursing support
- Australia employs 643,500 people in healthcare
  - 220,000 nurses*
  - 150,000 nurse support staff*
  - 121,000 medical practitioners & other health professionals
  - 150,000 clerical & administration support & personnel

***Origin's current markets**



Australia's population ageing

Projected Population Age Structure 2051



Median age

- 35.9 years at June 2002
- 46.0-49.9 years by 2051

65 years+

- 13% at June 2002
- 27%-30% by 2051

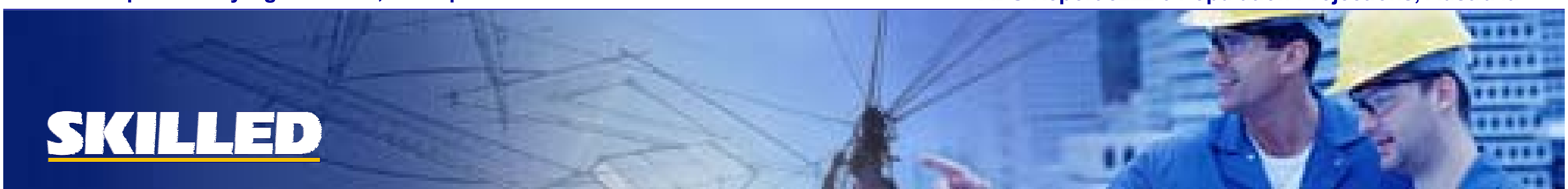
85 years+

- 1.4% at June 2002
- 6%-9% by 2051

80% of healthcare resources are used in last two years of life

ABS – Population by Age and Sex, 2001 p3

ABS Report 3222.0 Population Projections, Australia



Nursing agency market

- Demand exceeds supply
  - Demand for nursing staff increasing as population ages
  - Supply constant over last 10 years
- Highly fragmented
  - Over 200 agencies, many small 'cottage' players
- High degree of loyalty creates high barrier to entry
  - Conservative nature of healthcare industry – healthcare institutions resistant to change due to patient risk
  - Experience shows nurses reluctant to change agencies
- Over 800 nursing skillsets and wide ranging client requirements result in complex matching processes
  - Effective matching process critical to success

origin healthcare®

- **Personnel Division**
  - **Specialists**
    - Clinical Nurse Specialists®
    - TNS TheatreNurseSpecialists™
    - Medihealth Mental Health Specialists
    - Cancer Care™
    - Home Health Australia™
  - **General**
    - Care® Nursing Agency
    - Critique Nurses™ queensland's nursing solutions
    - Clover Nurses Agency®
    - Pettit™ Nursing Services
    - Western Nursing Agency®
    - Nursing Care Services
    - AAA
    - Nursing Australia®
    - Efficiency & Care Campaign™ Nursing Agency Pty Ltd
    - Gordon Nurses® The Registered Nurses Agency since 1939
    - QNA Queensland Nursing Agency™
    - teamwork® human resource services
    - Healthstra® Employment
    - ace Nursing Agency®
    - MNS Macquarie Nursing Service
- **Service Division**
  - **Retail**
    - the Nurses' Shop
    - Nurses' internet café
  - **Education**
    - Continuous Learning Centre®
    - Nurses' eNews
    - Nationally Recognised Training
  - **Media**
    - nursing publications®
    - nursing australia the magazine

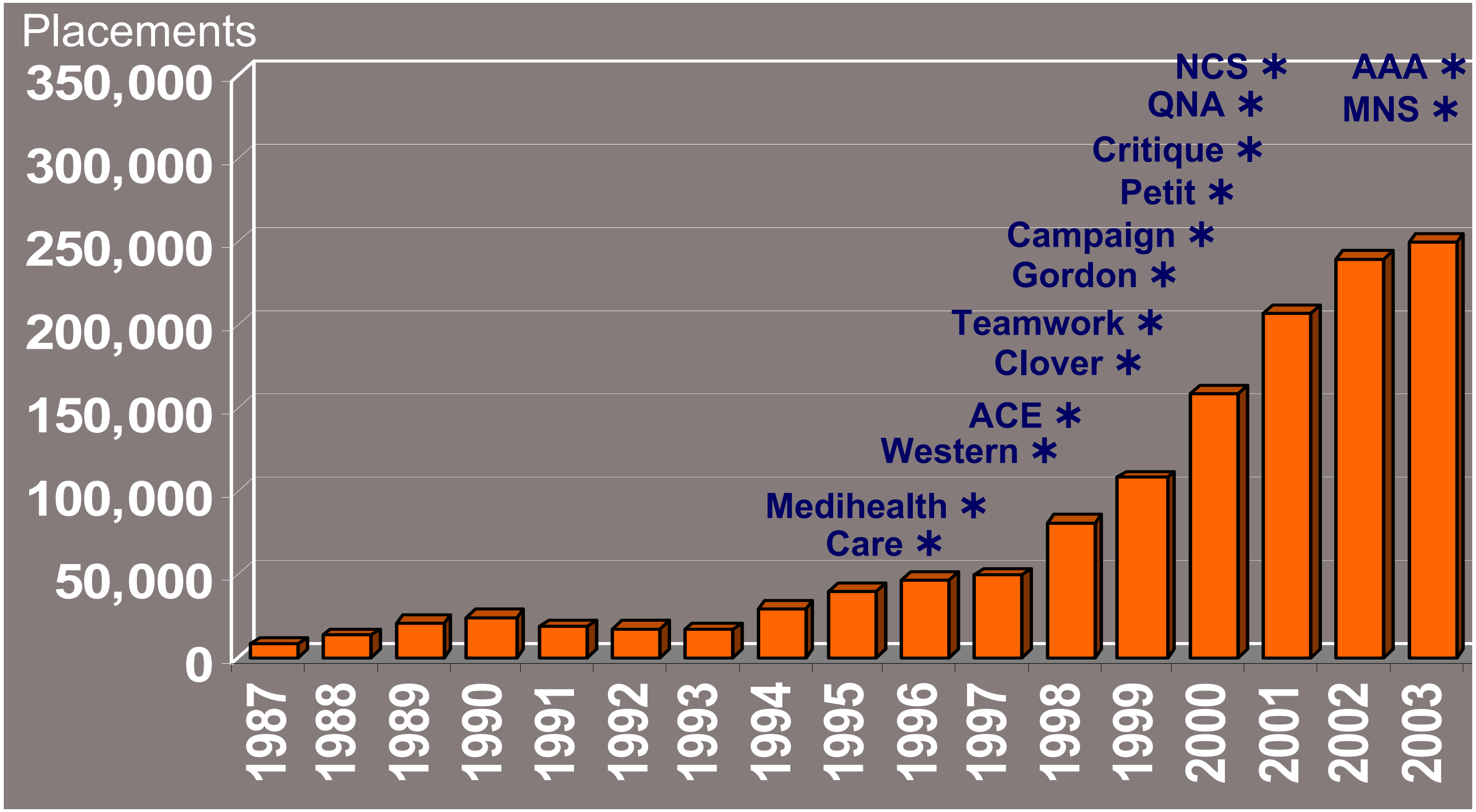
FOR ALL YOUR LIFE

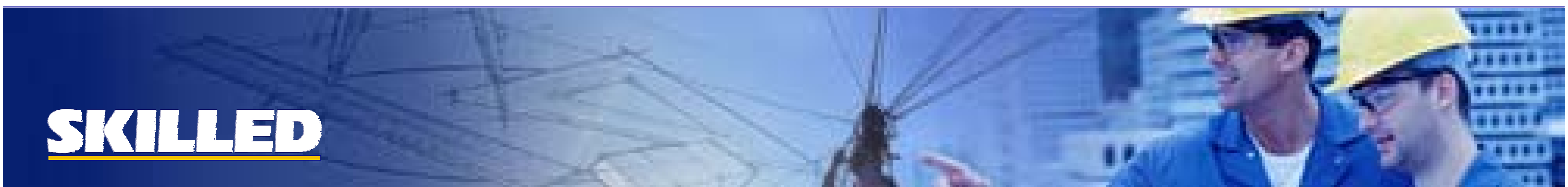
origin healthcare®

Origin competitive strengths

- Industry leadership
  - Introduced professionalism to 'cottage' industry
  - Now market leader with 4,500 placements per week, 6.5% of total agency placements
- Strong brands
  - Network of 18 established agencies, extensive advertising/promotion
- Client / member loyalty
  - Over 30,000 nursing members and 2,000 healthcare clients
- Economies of scale
  - Australia-wide network of outlets
  - Efficient centralised functions
  - Highly scaleable IT platform
- Most efficient and lowest cost supplier

Origin strong growth history

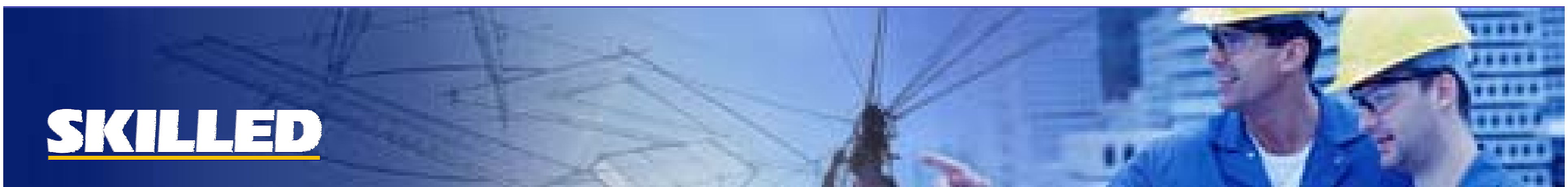




Unique technology/business platform

HRLink®

- 17 years to develop
- Ability to process complex matching of nurse credentials and skills to client requirements
- 24/7 monitoring of KPIs
- Extensive functionality including payroll, invoicing and general ledger interface
- Enables Origin to offer value added services to members and clients
- Enables lowest cost production and unlimited growth



Excellent strategic fit

	SKILLED	origin healthcare
Staffing Services	✓	✓
Specialise in skilled occupations	✓	✓
Demand outstripping supply	✓	✓
Complex matching processes	✓	✓
Market pioneer/leader	✓	✓
Lowest cost supplier in market	x	✓
Strong management and business culture	✓	✓

Complementary strengths

SKILLED

- ✓ Scale
- ✓ Capital
- ✓ Sales expertise
- ✓ Market leadership in skilled trades

origin healthcare

- ✓ State of the art technology
- ✓ Leading edge business processes
- ✓ Market leadership in nursing agency sector

- ✓ **Leading Staffing Services business in Australia**
- ✓ **Economies of scale**
- ✓ **New growth opportunities**

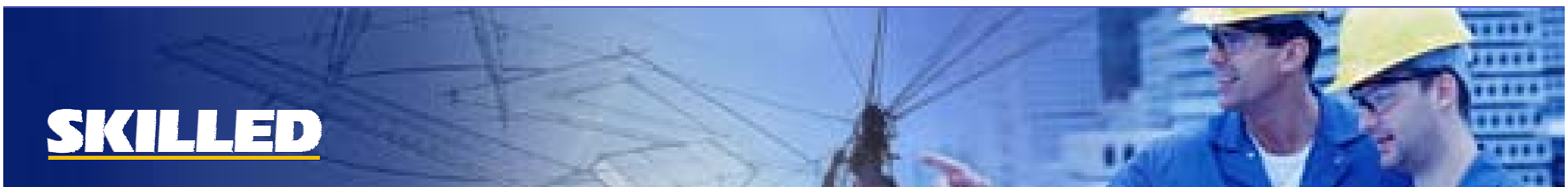
Acquisition cost

	$million
Cash	24.76
4 million ordinary SKE shares*	10.36
Vendor consideration	35.12
Debt assumed	21.90
Total acquisition cost	57.02

Opportunity for vendor to earn up to a further 9 million ordinary SKE shares based on aggregate EBITDA achieved for the 2004 & 2005 financial years

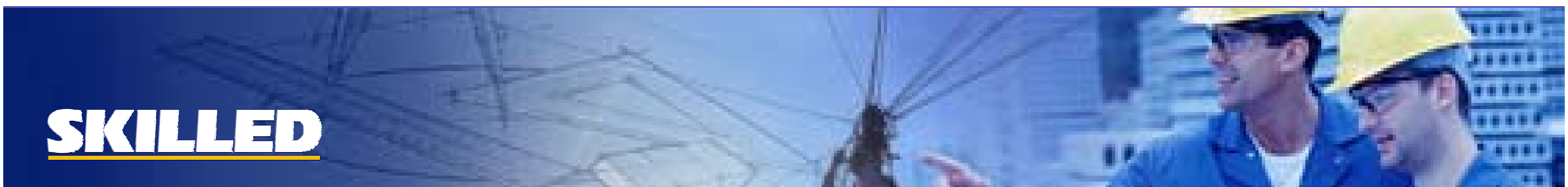
Acquisition priced on 2005 enterprise value to EBITDA multiple of 7.2 times

*based on closing SKE share price of $2.59 on 16/2/04



Performance linked consideration

- 9 million converting performance shares issued to vendor
- Conversion ratio based on aggregate Origin EBITDA for 2004 & 2005 financial years.
- Convert to ordinary shares on 30 September 2005
- Maximum conversion to 9 million ordinary shares if aggregate EBITDA for 2004 & 2005 financial years exceeds $18 million
- At maximum conversion, enterprise value would be approx $80 million



Funding and balance-sheet impact

- Acquisition can be accommodated and balance-sheet ratios maintained within comfortable levels
- Increased debt facilities negotiated with NAB & ANZ
- Gearing (net debt to net debt + equity) post acquisition will be around 40%
- Interest cover post acquisition will be +7 times

P&L impact

- Skilled planning assumes Origin contribution of approx ($m)

	2003/04 (4.5 months)	**2004/05 (full year)**
Sales	30.0	95.0
EBITDA	2.0	8.0
EBIT	0.0	3.0
Net profit	0.0	1.6

- Performance linked consideration begins to apply when aggregate EBITDA levels for 2004 & 2005 exceeds $13 million (to a maximum of 9 million shares)
- Initial dilution to EPS in 2004 due to issue of 4 million shares and only 4.5 months of additional earnings
- EPS positive from 2005

Conclusion

- ✓ **Exposure to essential, non cyclical, high growth market**
- ✓ **State of art technology and business platform**
- ✓ **Strong strategic fit**
- ✓ **Strong growth outlook**

Conclusion

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- ✓ **Leading Staffing Services business in Australia**
- ✓ **Economies of scale**
- ✓ **New growth opportunities**

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Appendices

– Statement of financial performance

– Statement of financial position

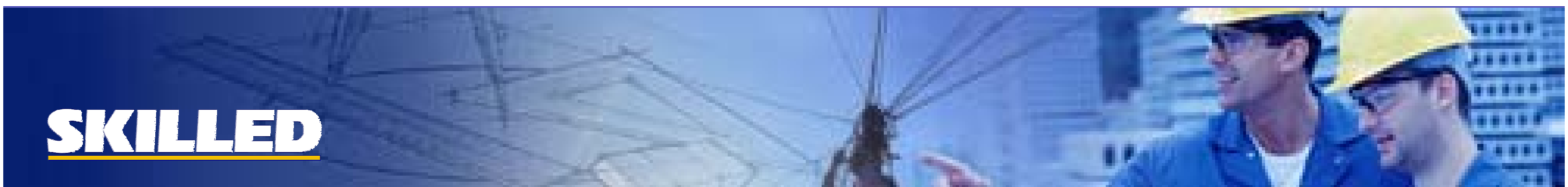
– Sales revenue - 10 year history

– Earnings before interest and tax - 10 year history

– Net profit after tax by half year

Statement of financial performance

	First Half 2003/04 A$000	First Half 2002/03 A$000	Increase / (Decrease) %
Sales revenue	346,419	324,181	+7%
EBITDA	18,079	15,216	+19%
Depreciation and amortisation	(3,581)	(2,582)	
EBIT	14,498	12,634	+15%
Net interest	(256)	(496)	
Profit before tax	14,242	12,138	+17%
Taxation expense	(4,431)	(3,616)	
Net profit after tax	9,811	8,522	+15%
EBIT margin %	4.2%	3.9%	



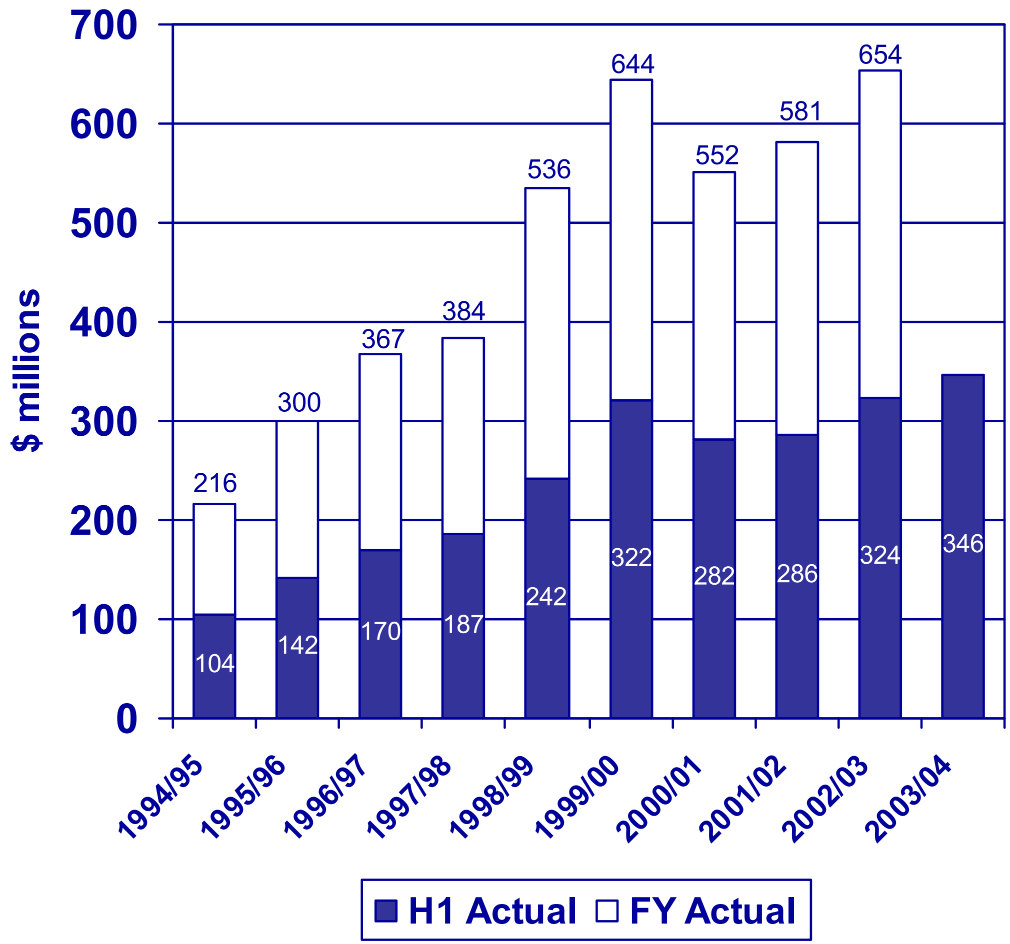
Statement of financial position

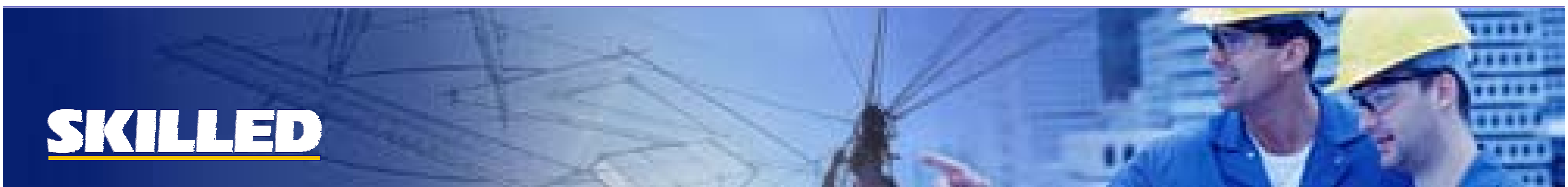
A$'000	December 2003	June 2003
Current assets		
Cash assets	3,486	4,982
Receivables	85,631	93,692
Inventories	4,447	4,046
Other	2,385	2,415
Total current assets	**95,949**	**105,135**
Non-current assets		
Receivables	1,117	113
Property plant & equipment	15,764	16,515
Intangibles	24,646	25,130
Deferred tax assets	3,800	5,840
Total non-current assets	**45,327**	**47,598**
Total assets	**141,276**	**152,733**

Statement of financial position, cont

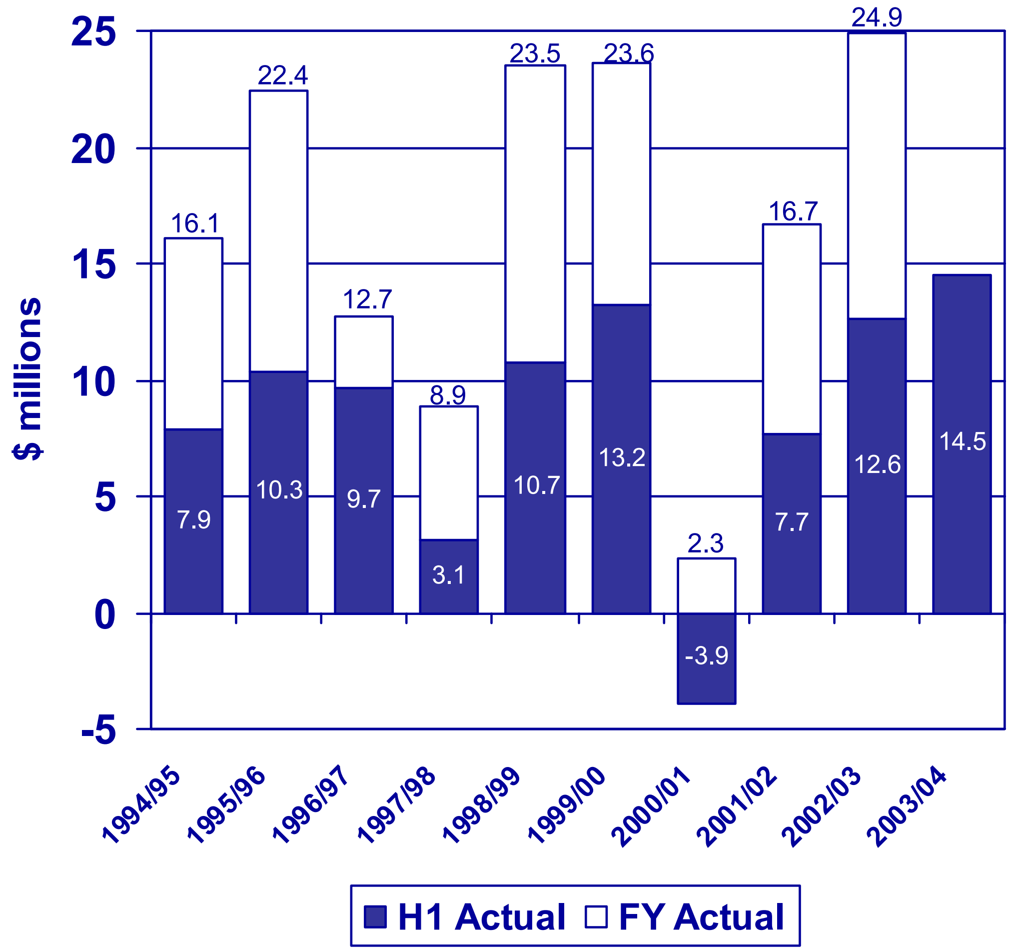
A$000	**December 2003**	**June 2003**
Current liabilities		
Payables	31,127	44,273
Interest-bearing liabilities	2,031	2,862
Current tax liabilities	2,780	4,809
Provisions	19,760	22,130
Total current liabilities	**55,698**	**74,074**
Non-current liabilities		
Interest-bearing-liabilities	11,670	10,771
Provisions	5,686	2,853
Total non-current liabilities	**17,356**	**13,624**
Total liabilities	**73,054**	**87,698**
Net assets	**68,222**	**65,035**
Equity		
Contributed equity	50,523	48,525
Reserves	4,773	4,782
Retained profits	12,926	11,728
Total equity	**68,222**	**65,035**

Sales revenue – 10 year history (Consolidated)





EBIT - 10 year history



Net profit after tax by half year