

ASX Announcement

22 January 2015

SKILLED Group rejects Programmed's merger proposal

SKILLED Group today announced it has rejected the merger proposal from Programmed Maintenance Services that was received on 17 December 2014.

The Board of SKILLED Group, together with its advisors, reviewed Programmed's proposal having regard to the extent of the industrial logic of combining the two businesses, taking into account the changes to SKILLED's business profile over the last two years, the synergy (and dis-synergy) potential, and the terms of Programmed's proposal.

The SKILLED Board has concluded that:

- The industrial logic of combining the businesses is not compelling given SKILLED's existing strong market positions and stand-alone growth opportunities:
 - While a merger would create a larger presence in some industry sectors and provide some diversification, it is not clear that a merged business would be better strategically positioned than SKILLED is at present;
 - SKILLED has expanded and strengthened its Engineering business through recent investments, to create a business with strong growth potential in segments where Programmed does not operate;
 - SKILLED has invested over recent years to build a strong position in Marine Services, with a proven track record and operational expertise. The addition of Programmed's businesses would add scale, but not significantly enhance SKILLED's business profile or potential in this area. In particular, Programmed's marine business is primarily exposed to the offshore construction segment, while SKILLED has diversified exposure across the full oil & gas project life cycle; and
 - SKILLED is already the market leader in blue-collar labour hire in Australia, recognised for the quality of its people and its excellent safety record and customer service. The addition of Programmed's business would not significantly alter this position.
- The (net) financial synergies from a merger of SKILLED and Programmed are in the order of the \$20 million per year as stated by Programmed, and would take a number of years to achieve. However, the majority of these relate to the removal of duplicate corporate overheads, which does not better position the business for future growth. The remaining cost synergies would be longer-dated and harder to achieve. Further, the cash cost of realising the synergies would likely outweigh the benefits in the first year.
- The terms of Programmed's proposal undervalue SKILLED and its contribution to a merged group.

SKILLED Group Chairman, Vickki McFadden said, "The terms of Programmed's proposal do not reflect the value of SKILLED shares and the contribution that SKILLED would make to a combined group.

"SKILLED has strong and diverse businesses in Workforce Services and Technical Professionals. In Engineering, SKILLED provides specialist operations and maintenance solutions with a good pipeline of growth opportunities. Marine Services covers the full project life cycle from exploration to construction, production and decommissioning. SKILLED's ability to leverage its capability across the project life cycle positions the business to

capitalise on a visible pipeline of more than \$1 billion of addressable offshore contract work in the medium-term.

“In the last two years SKILLED has made a number of acquisitions to strengthen and to diversify the Group. Additionally, SKILLED has invested in systems and process improvements. These investments have delivered \$28 million in cost savings in FY13 and FY14, are expected to deliver at least a further \$15 million in FY15, and will continue to benefit the Group.

“SKILLED has a bright future as a standalone business. The Board and management team are focused on executing our current strategy. With Angus McKay recently joining as CEO to lead SKILLED through its next stage of development, we will provide an update on our strategy to deliver value for SKILLED shareholders in due course.

“We remain open to considering a transaction on terms that appropriately reflect SKILLED’s value and contribution to a merged group.”

SKILLED shareholders do not need to take any action in response to the Programmed proposal.

SKILLED will report the Group’s results for the half year ended 31 December 2014 on 11 February 2015.

Analyst/investor briefing

Angus McKay, Managing Director and Chief Executive Officer, and Gary Kent, Chief Financial Officer, will brief analysts and institutional investors on this update on **Thursday, 22 January 2015 at 11.00am (AEDT)**.

Dial in details for this conference call are as follows:

Australia (toll free)	1800 554 798	New Zealand	0800 450 585
Hong Kong	800 901 587	USA	1866 839 8029
Singapore	800 6163 105	United Kingdom	0808 234 8407

Confirmation Code: 7313021

Conference Title: SKILLED Group Update

(please dial in at least 5 minutes prior to register)

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About SKILLED Group

SKILLED Group Limited is Australia’s leading provider of labour hire and workforce services. SKILLED Group has over 80 offices across Australasia with annualised revenues of around A\$1.9billion. SKILLED partners with clients to improve their workforce efficiency, enhance safety performance and increase productivity levels. SKILLED is listed on the Australian Securities Exchange (ASX: SKE) and has approximately 7,600 shareholders, predominantly in Australia.