ASX ANNOUNCEMENT

5 August 2015

Results for the year ended 30 June 2015

Financial summary

	FY15	FY14	% change
Sales revenue[1] ($m)	2,047.4	1,873.3	*9.3%*
EBITDA[2] ($m)	102.4	95.4	*7.4%*
EBITDA[2] margin (%)	5.0%	5.1%	*(9bps)*
EBIT[2]	86.4	82.9	*4.3%*
Reported NPAT ($m)	(16.7)	44.2	*nm*
Underlying NPAT[3] ($m)	54.2	55.3	*(2.0%)*
Reported EPS (cps)	(7.1)	18.9	*nm*
Underlying EPS[3] (cps)	23.0	23.6	*(2.5%)*
Return on capital employed[4]	14.2%	14.2%	*(7bps)*
Operating cash flow (before tax) ($m)	126.6	80.9	*56.5%*
Capital expenditure ($m)	16.9	51.0	*(66.9%)*
Net debt ($m)	146.1	170.1	*(14.1%)*
Gearing[5]	25.5%	26.2%	*(68bps)*
Dividend (cps)	17.0	17.0	-

SKILLED Group (ASX:SKE) today announced an underlying net profit after tax of $54.2 million[3] for the year ended 30 June 2015. In addition, it has recorded a $60.0 million non-cash fair value impairment charge required in relation to the proposed Scheme of Arrangement with Programmed Maintenance Services Limited (ASX: PRG). The reported net loss after tax was $16.7 million.[3]

Revenue was $2,047.4 million, 9.3% above the previous corresponding period, and the EBITDA margin was stable at 5.0% (FY14: 5.1%).

The Board has declared a final dividend of 9.5 cps, fully franked.

Commenting on the result, SKILLED Group Chief Executive Officer, Mr Angus McKay said, “This is a strong operating result for the Group, reflecting an improved second half performance.

“Our revenue and EBITDA are well above FY14 levels, predominantly as a result of acquisitions and work flowing from the Saipem and Gorgon projects in particular. Also, as expected, we have delivered $15 million of cost savings in FY15.

“Significant cashflow generation has seen our net debt fall substantially, and as at 30 June SKILLED had a net debt / EBITDA[2] ratio of 1.4 times.

“Our focus on safety has continued to produce positive results and SKILLED’s All Injury Frequency Rate declined by over 13% through FY15.

“The impairment charge recognised as at 30 June 2015 is a non-cash, accounting adjustment that was required due to the implied fair value of the proposed Scheme with Programmed. The charge in no way

[1] Includes equity accounted income from joint ventures
[2] As per segment reporting
[3] Refer to appendix for reconciliation of underlying NPAT to reported NPAT. Underlying NPAT and underlying EPS are unaudited non-IFRS measures
[4] EBIT as per segment reporting / average capital employed
[5] Debt/(Debt + Equity)

affects the economics of the Programmed transaction or the benefits that are expected to flow from it for our shareholders."

Segment overview

(EBITDA results are before corporate costs)

Engineering & Marine Services:

Contract maintenance, project and shutdown services and offshore marine manning and management services. Brands include ATIVO, Thomas & Coffey, SKILLED Offshore, OMSA and Broadsword Marine Services.

	FY15	FY14	FY15 vs FY14		2HFY15	1HFY15	2HFY14	1HFY14
Sales Revenue[6] ($m)	941.5	617.8	52.4%		509.8	431.7	365.6	252.3
EBITDA ($m)	80.0	58.3	37.3%		43.6	36.4	35.6	22.7
EBITDA Margin %	8.5%	9.4%	(93bps)		8.5%	8.4%	9.7%	9.0%

Engineering & Marine Services delivered strong revenue and EBITDA growth in FY15. The Saipem and Gorgon project work has produced strong results and underlying manning activity remains robust.

Engineering experienced EBITDA margin growth in FY15, led by Thomas & Coffey. The combination of Thomas & Coffey (from February 2014) with ATIVO has exceeded expectations. With a national footprint and broad capabilities across a range of industries the business is well positioned to continue its growth. Recent contract wins include clients in the mining, manufacturing and utilities sectors.

Customer activity for SKILLED Offshore continues across the seismic, drilling, construction and production segments of the oil & gas life cycle. In the second half, work on the Saipem project increased following mobilisation of the larger Castorone vessel, and work is continuing in the first half of FY16.

In the second half, OMSA continued with Gorgon project work under its existing contract and won its first non-Gorgon contract, with work currently underway on the Wheatstone project. Consistent with the Gorgon project plan, vessels continue to de-mobilise as the construction phase moves towards its conclusion, and work on this phase is expected to complete during FY16.

The combination of Broadsword with OMSA to form SKILLED Marine has created a comprehensive vessel offering for clients and facilitated the use of Broadsword vessels on the Gorgon project. However, overall, Broadsword experienced a difficult second half, with low levels of vessel utilisation persisting.

Workforce Services:

Blue-collar labour hire to clients in the industrial, mining and resources sectors under the SKILLED brand.

	FY15	FY14	FY15 vs FY14		2HFY15	1HFY15	2HFY14	1HFY14
Sales Revenue ($m)	799.4	884.3	(9.6)%		394.1	405.3	431.7	452.6
EBITDA ($m)	22.8	35.2	(35.1)%		10.5	12.3	15.8	19.4
EBITDA Margin %	2.9%	4.0%	(112bps)		2.7%	3.0%	3.7%	4.3%

Weak market conditions including margin pressure in the mining sector and the impact of client insourcing (partly offset through supplier consolidation by clients) affected Workforce Services' revenue and earnings in FY15. Activity levels were lower overall than in FY14 as broader economic conditions remained subdued. However, mining and FMCG activity was above FY14 levels across both halves.

Overall, margins have been stable since Q2 and margins in mining were higher in the second half than the first half, reversing a negative trend. Across Workforce Services, there was an improved revenue trend in Q4.

In response to market conditions Workforce Services accelerated its cost reduction program in the first half, and the benefits of that program were realised in the second half. The Transformation program is continuing to centralise and automate previously manual activities.

[6] Includes equity accounted income from joint ventures

Workforce Services continues to retain key clients and is maintaining discipline in pricing, cost and working capital management.

Technical Professionals:

Engineering and technical professional staff, white collar and nursing staff. Brands in this segment include Swan, Mosaic and SKILLED Health

	FY15	FY14	FY15 vs FY14
Sales Revenue ($m)	312.6	375.0	(16.7)%
EBITDA ($m)	14.7	16.6	(11.6)%
EBITDA Margin %	4.7%	4.4%	27bps

2HFY15	1HFY15	2HFY14	1HFY14
143.8	168.7	172.3	202.8
6.5	8.1	7.2	9.3
4.5%	4.8%	4.2%	4.6%

Overall, Technical Professionals' revenue and EBITDA declined in FY15, although EBITDA margin improved, with the decline in Swan more than offsetting growth in the white-collar and training businesses. Collectively, the non-Swan businesses in Technical Professionals grew revenue, EBITDA and EBITDA margin during FY15.

Net debt and operating cash flow

Net debt reduced in FY15, in particular as a result of strong operating cashflows in the second half. At 30 June 2015 SKILLED's net debt was $146.1 million (FY14: $170.1 million) and leverage (net debt/EBITDA) was 1.4x (FY14: 1.8x). The level of debt is appropriate and consistent with the business' working capital requirements. As at 30 June 2015 SKILLED had $284 million of headroom under its facilities. Following expiry of a $90 million tranche at the end of August (which will not be renewed) there will continue to be sufficient headroom under SKILLED's facilities.

Operating cash flow before tax was $126.6 million (FY14: $80.9 million), representing cash conversion of 132% (FY14: 95%).[7]

Final dividend

The Board has declared a final dividend of 9.5 cps, fully franked.

The Record Date for determining entitlements to the final dividend is 7 October 2015, with payment on 15 October 2015.

The Dividend Reinvestment Plan will remain suspended until further notice.

Outlook

In Marine Services, activity on the construction phases of the Saipem and Gorgon projects is expected to conclude during FY16. Both the Engineering and Marine Services businesses have positioned themselves for the work that will arise as the resources industry continues to shift from construction to production phase.

In Workforce Services, there was an improved revenue trend in the fourth quarter of FY15. Also SKILLED will continue to work with its customers to improve productivity outcomes and therefore position itself to benefit from any panel consolidation. The process to shift administrative functions away from branches to centralised offices is expected to continue.

In Technical Professionals there was improved performance in the white collar and training services businesses during FY15. Swan's performance is likely to remain at low levels as a result of the challenges continuing to face the resources sector.

The strategic review announced by SKILLED in January 2015 has been completed. The review identified opportunities for SKILLED to better deliver productivity solutions for customers. However, implementation of

[7] Operating cashflow before tax / EBITDA adjusted for non-cash items as per statement of cash flows

any initiatives arising from the strategic review is on hold pending the proposed acquisition of SKILLED by Programmed Maintenance Services.

Update on acquisition by Programmed

SKILLED and Programmed are continuing to work together to progress the proposed transaction. An announcement was lodged with ASX on 3 August 2015 containing a proposed transaction timetable, and a separate announcement has been lodged with ASX today, providing details of SKILLED dividend payments in conjunction with the proposed acquisition by Programmed.

FY15 results briefing and audio webcast

Angus McKay, CEO and Gary Kent, CFO will brief analysts and institutional investors on the SKILLED Group FY15 results today, Wednesday 5 August 2015 at 10:30am (AEST).

A live audio webcast of the briefing will be available on a listen-only basis. The audio webcast archive and transcript will be made available on SKILLED's website. Click here to register for the webcast

For further information please contact:
Andrew Ford, Group General Manager
Finance & Investor Relations
SKILLED Group Limited
Mobile: 0408 377 854

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$2.0 billion. 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 8,000 shareholders, predominantly in Australia.

Appendix 1: Performance summary and reconciliation of Reported NPAT to Underlying NPAT

$m	FY15	FY14	% change
Revenue[1]	2,047.4	1,873.3	9.3%
EBITDA[2]	102.4	95.4	7.4%
EBITDA[2] Margin %	5.0%	5.1%	(9bps)
Depreciation & Amortisation	(15.9)	(12.5)	27.8%
EBIT	86.4	82.9	4.3%
EBIT Margin %	4.2%	4.4%	(20bps)
Interest	(10.8)	(7.8)	39.2%
Profit before tax	75.6	75.1	0.6%
Restructuring costs	(2.9)	(3.0)	
Acquisition and integration costs	(1.7)	(4.0)	
Strategic review costs	(1.7)	-	
SKILLED CEO transition costs	(1.0)	-	
Impairment of goodwill arising due to fair value derived from Scheme proposal (non cash)	(60.0)	-	
Amortisation of acquired intangibles (non cash)	(10.2)	(6.2)	
Notional interest on deferred consideration (non cash)	(0.8)	(1.3)	
Income tax expense	(14.0)	(16.4)	(14.2%)
Net profit after tax	(16.7)	44.2	nm
<u>Underlying net profit after tax</u>			
Statutory net profit after tax	(16.7)	44.2	nm
Restructuring costs	2.9	3.0	
Acquisition and integration costs	1.7	4.0	
Strategic review costs	1.7	-	
SKILLED CEO transition costs	1.0	-	
Impairment of goodwill arising due to fair value derived from Scheme proposal (non cash)	60.0	-	
Amortisation of acquired intangibles (non cash)	10.2	6.2	
Notional interest on deferred consideration (non cash)	0.8	1.3	
Income tax benefit - reversal of acquisition tax provision	(2.3)	-	
Income tax benefit on reconciling items	(5.1)	(3.4)	
Underlying net profit after tax	54.2	55.3	(2.0%)
EPS - Statutory NPAT (cps)	(7.1)	18.9	nm
EPS - Underlying (cps)	23.0	23.6	(2.5%)

1 - Includes equity accounted income from joint ventures
2 - as per segment reporting in the Financial Report