CANDLE AUSTRALIA LTD

Half Year Results
Period Ending 31 December 2004

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Candle Australia Limited

Overview

- Highlights
- About Candle
- Market conditions
- Key goals
- Financial results
- Divisional performance
- Outlook

CANDLE AUSTRALIA LTD

Highlights

- Net profit after tax up 59% to $3.3M
- Revenue up 35% to $115M
- EBITDA up 51% to $6M
- EBIT up 60% to $5M
- EPS (pre goodwill) up 44% to 8.8c

Compared to corresponding period ending December 2003

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Highlights

- Gearing (debt/equity) low at 6%
- Zero net debt
- Operating margin (EBIT/Revenue) up 19% to 4.35%
- Interim fully franked dividend up 38% to 5.5c

About Candle

- Employment services
  - Permanent recruitment services
  - Staff augmentation via provision of contract and temporary staff
  - Contractor management services
  - Payroll services
  - Australia and New Zealand

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About Candle

- Main areas of focus
  - Information Communications and Technology (ICT) – industry leader
  - Business Support – incl. accounting support, back office technical staff, administration & secretarial staff, records management & library staff
  - Executive recruitment

Brands

ICT

CANDLE
ICT TALENT SPECIALISTS

TECHNOLOGY
CO-SOURCING SOLUTIONS

BUSINESS SUPPORT

Alliance
Opening Doors in Recruitment

freeman adams
OUR COMMITMENT. YOUR FUTURE

PREMIER
personnel

EXECUTIVE

EXECUTIVE
SEARCH & SELECTION

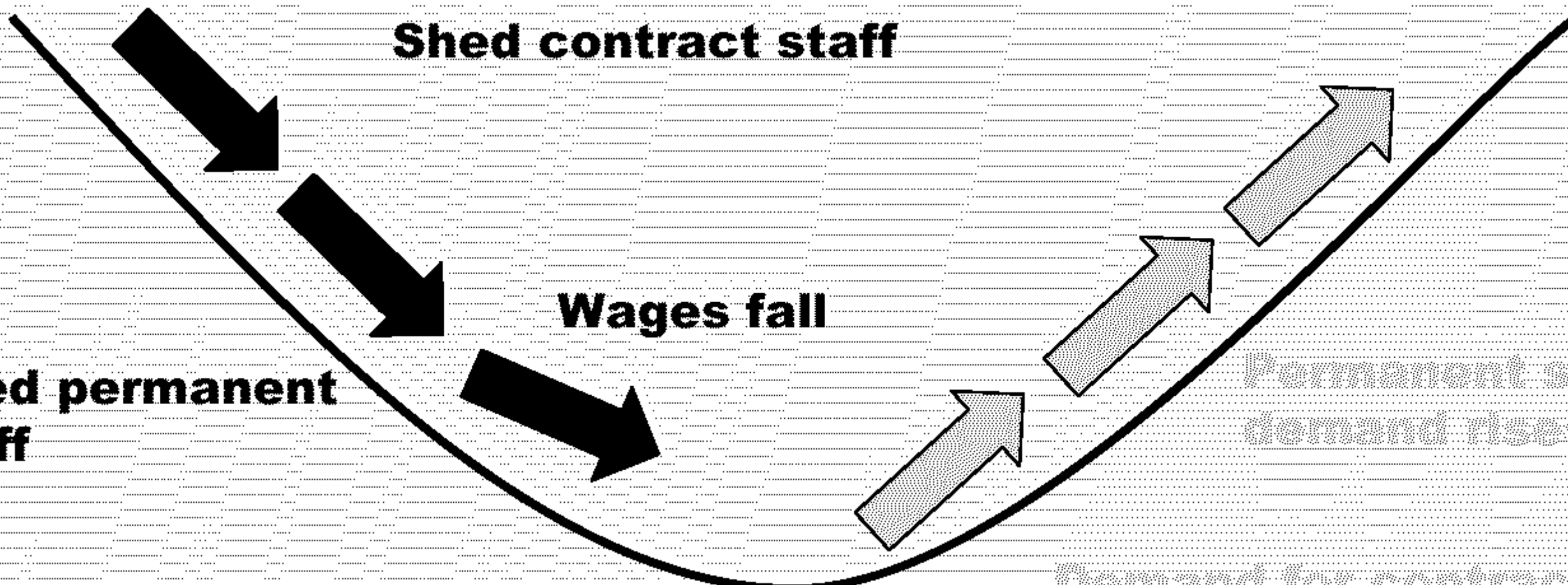
The One
Umbrella

workskillsprofessionals
temporary & permanent personnel

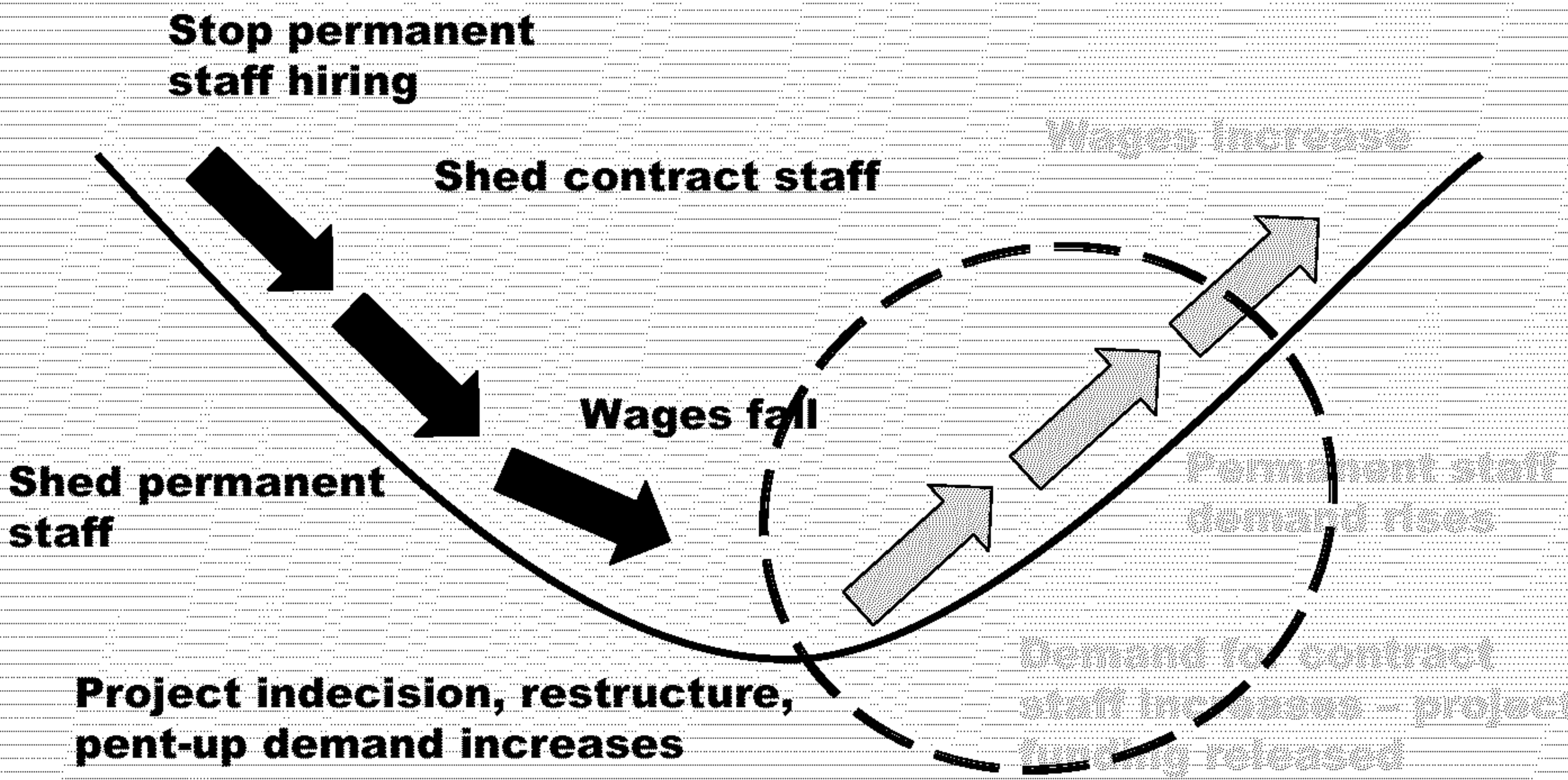
Market Conditions

- Corporate profits improving
- Business confidence strong
- Relatively full levels of employment (low unemployment)
- Emerging skills shortages
- Demand for recruitment and staff augmentation services is increasing
- Conditions are sound for the sector

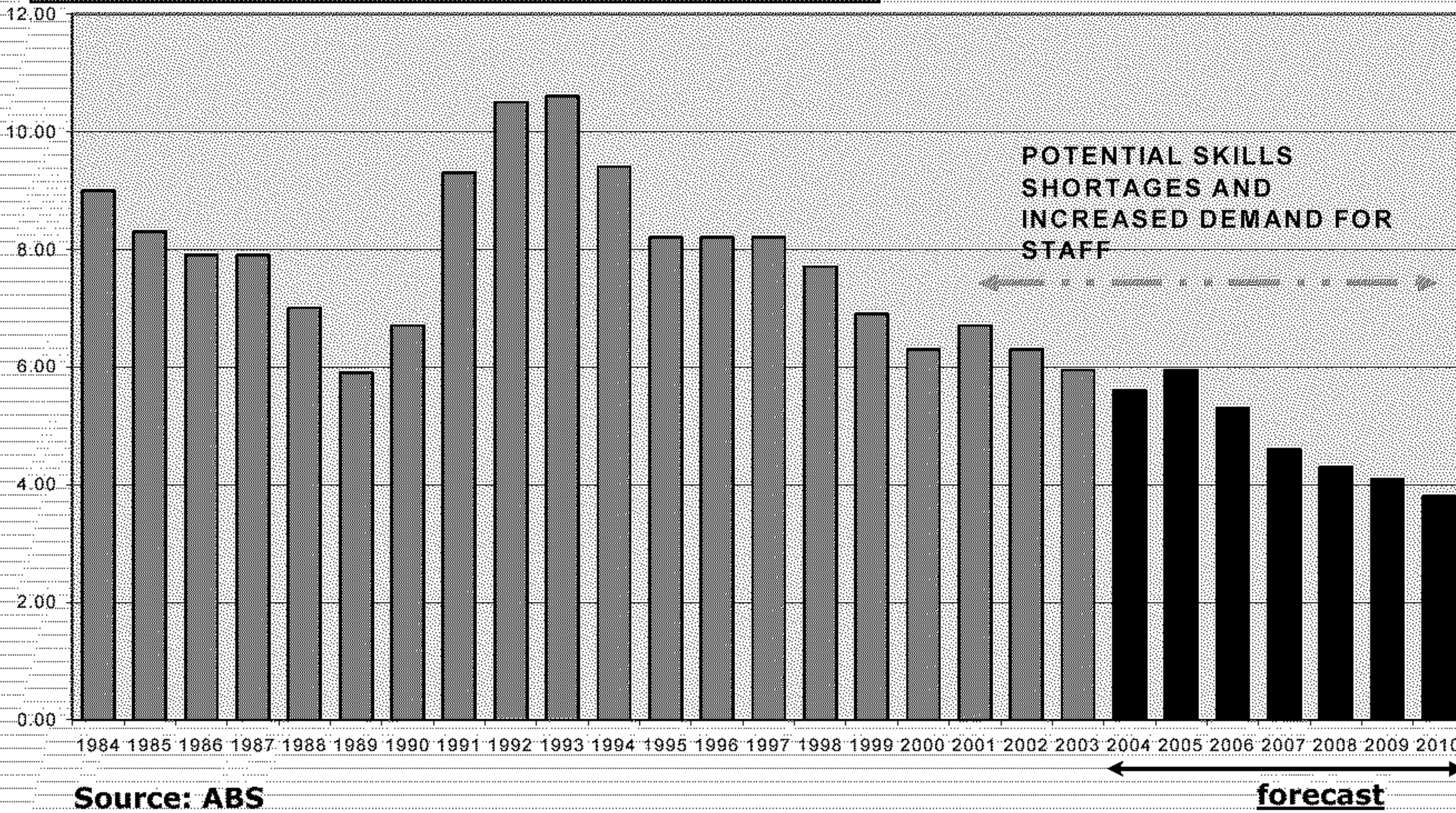
Market Demand Cycle



Period ahead



Australian unemployment



Source: ABS

Key Goals

- Grow and diversify income streams
  - Organic growth of core businesses
  - EPS positive acquisitions
  - Grow Recruitment Services
  - Expand broader Employment Services offering
- Improve efficiency of business
  - Retain staff
  - Drive towards a variable cost base
  - Measure (KPIs) and improve
- Deliver improved shareholder return
  - Strong balance sheet, low debt
  - Focus on total shareholder return

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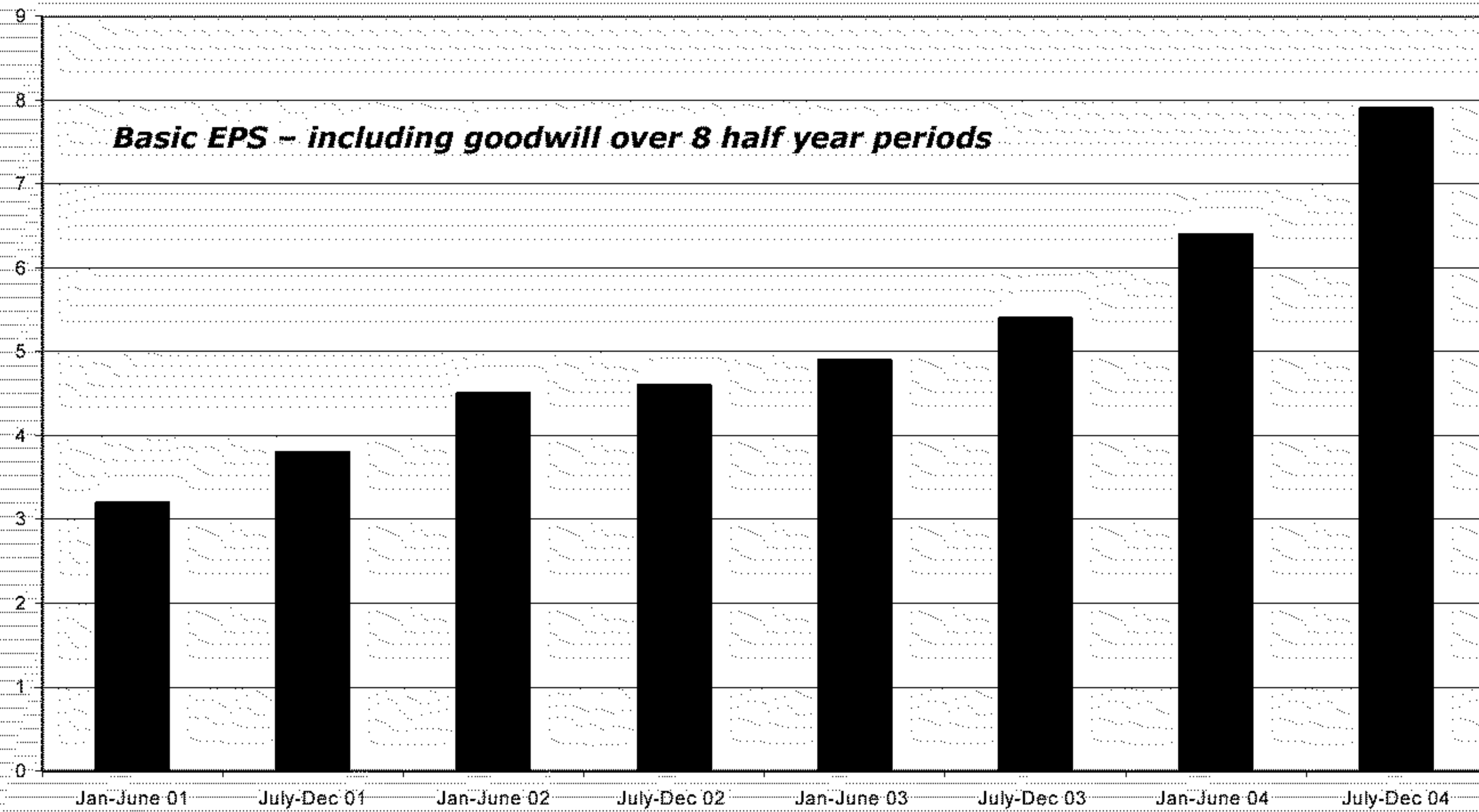
Financial Results

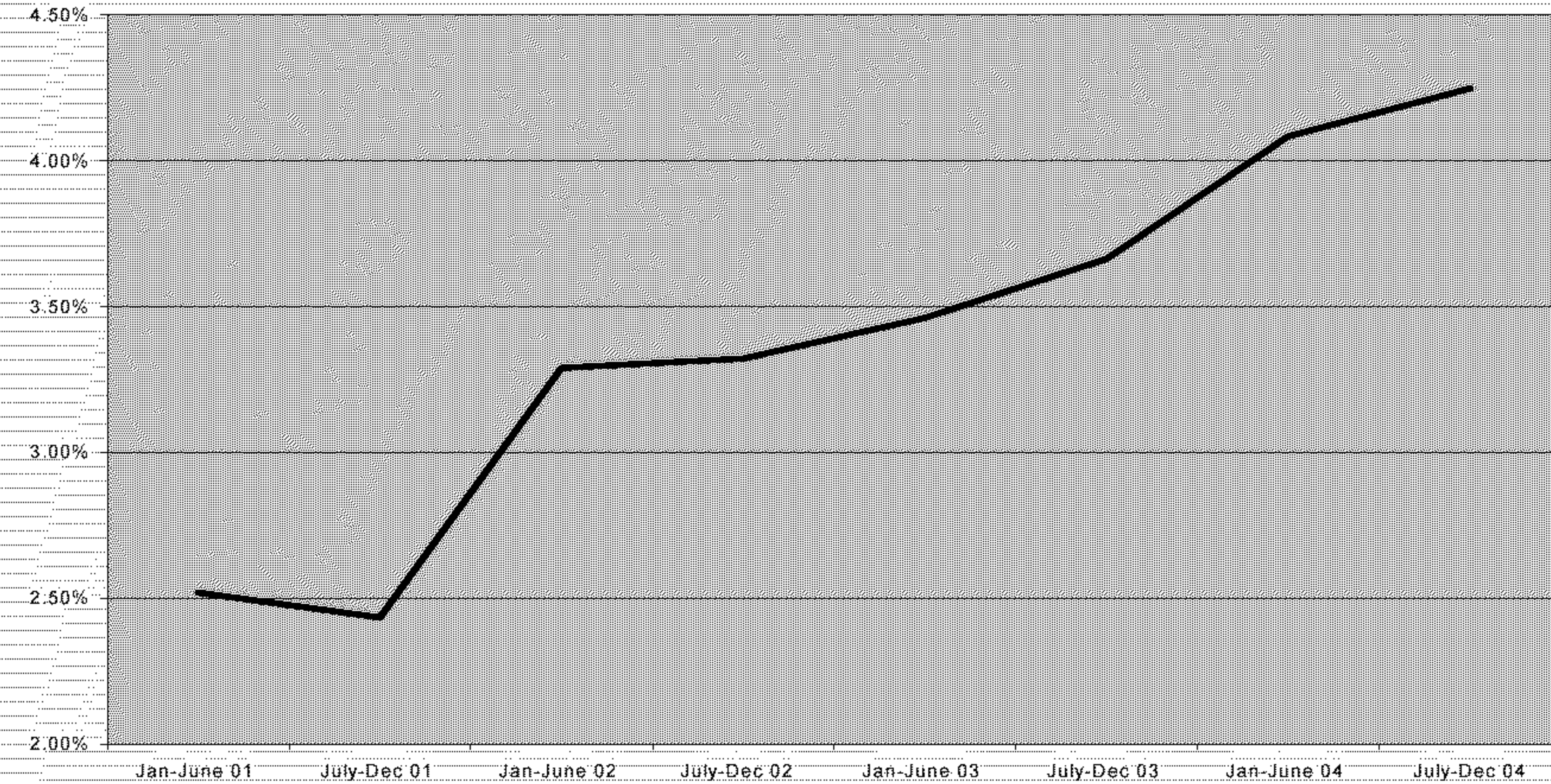
	FY 03	1st half Dec 03	2nd half Jun 04	FY 04	1st half Dec 04	% move on PCP
SALES *Million $*	**162**	**85**	**94**	**179**	**115**	**Up 35%**
EBITDA *Million $*	**7.5**	**3.9**	**4.7**	**8.6**	**6**	**Up 51%**
EBIT *Million $*	**5.5**	**3.2**	**3.8**	**7**	**5**	**Up60%**
NPAT *Million $*	**3.5**	**2.1**	**2.5**	**4.6**	**3.3**	**Up 59%**
EPS *Cents – pre goodwill*	**10.9**	**6.1**	**7.1**	**13.2**	**8.8**	**Up 44%**
DPS *cents*	**9**	**4**	**5**	**9**	**5.5**	**Up 38%**

FY = Financial year, PCP = Previous Corresponding Period

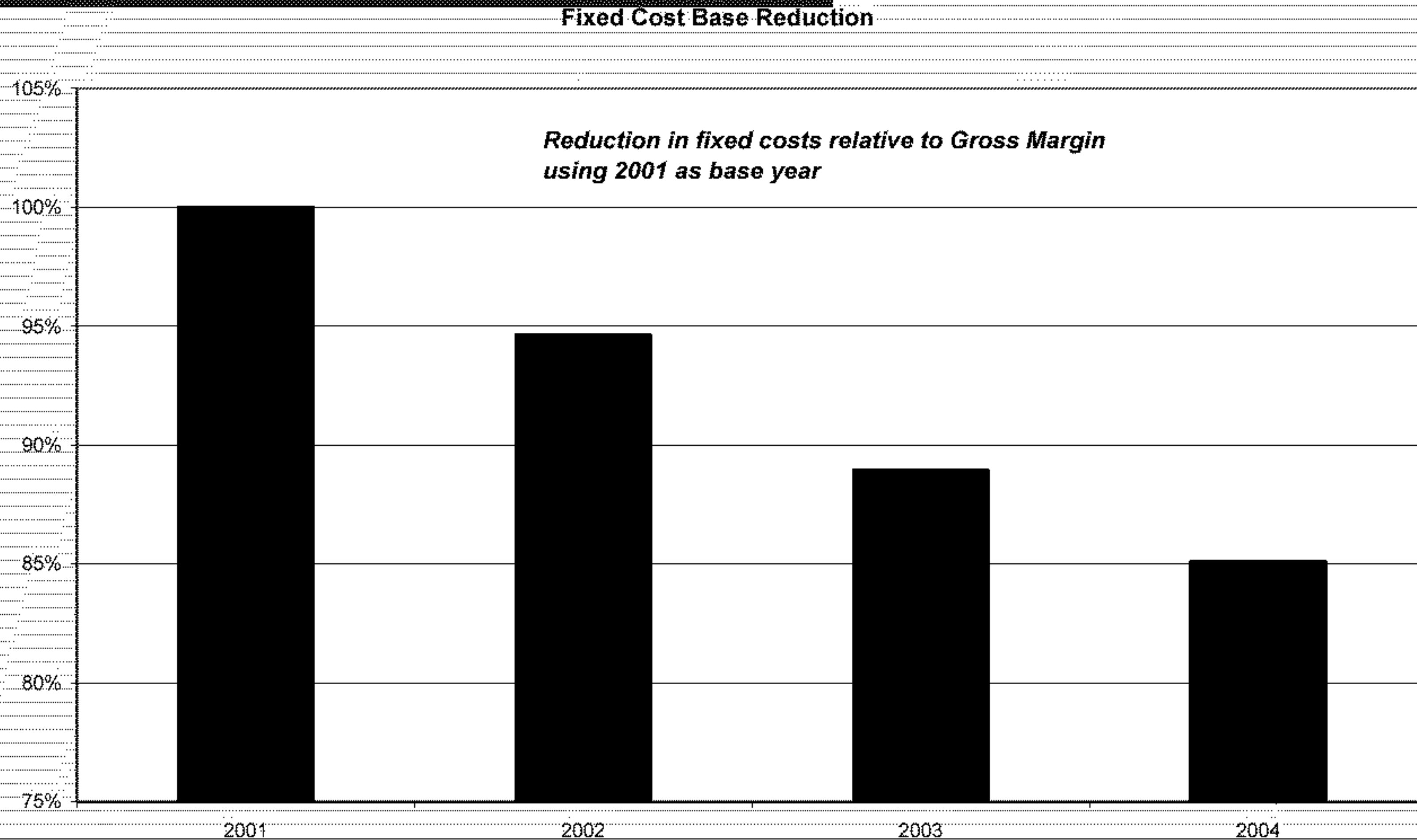
Consistent EPS growth



Operating margin improvement

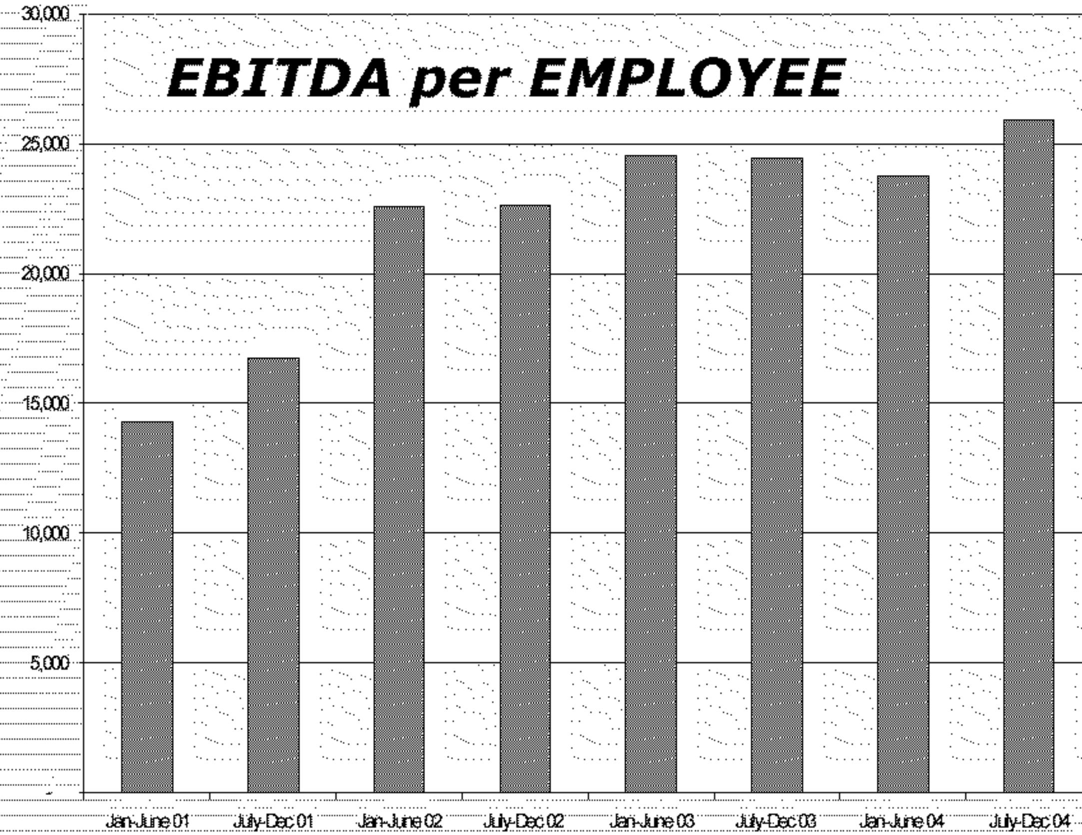


Operating efficiency



Productivity improvement

- EBITDA per Employee is strong
- Average of A$1M in sales per staff member
- Productivity improvements are a continued focus of management



Balance sheet

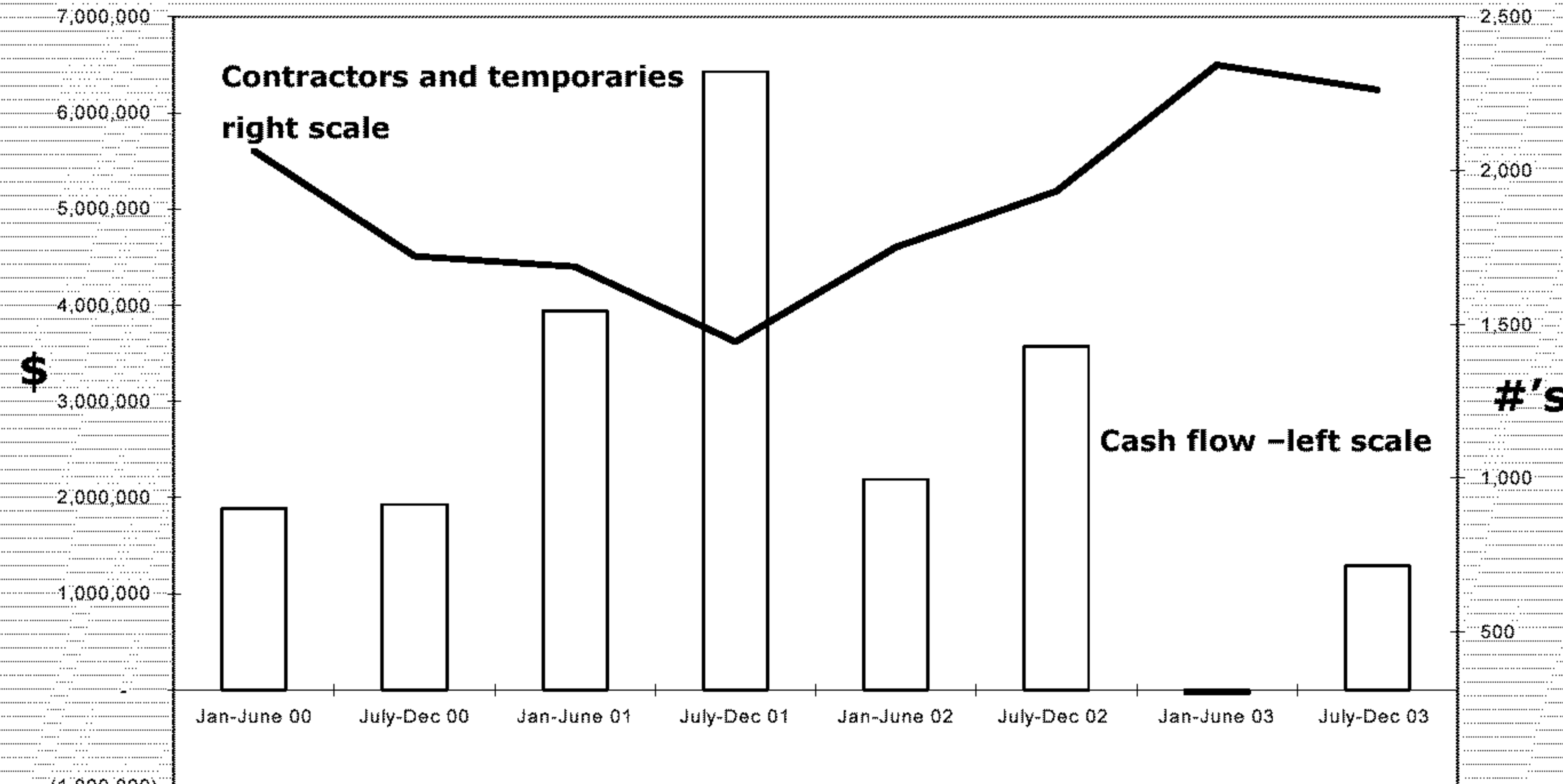
	FY 03	1st half Dec 03	FY 04	1st half Dec 04
NET DEBT *Million $*	**-0.6**	**+1.3**	**-0.2**	**+2.5**
GEARING *Percent*	**7%**	**7%**	**6.5%**	**5.7%**
OPERATING CASH FLOW *Million $*	**8.6**	**3.6**	**3.6**	**1.3**
RETURN ON EQUITY *Percent*	**8.3%**		**9.8%**	

FY = Financial year

Operating cash flow

- Operating cash flow $1.3 million
- Operating cash flow funding contractor and temp growth
- Contractor and temporary growth a good lead indicator of future profits
- Strong balance sheet underpins growth capability
  - Low net debt
  - low gearing

Contractor growth vs cash flow



ICT Division

- Comprises Candle ICT in Australia and New Zealand and TCS
- Maintains market leadership
- Solid organic growth of 16%
- Increased media coverage
- Increased demand for contract and permanent staff
- Expect demand for staff to increase

Business Support

- Workskills Professionals, Freeman Adams, Alliance, Premier and One Umbrella
- Organic growth of 23% in Alliance and Freeman Adams
- Overall growth of 106% including acquisitions
  - Only 3 months contribution from The One Umbrella

Business Support

- Continued focus on geographic and business line expansion
- Focus on medium volume higher margin business
- Strong on customer service and quality rather than volume

Executive Search and Selection

- New division
- Permanent recruitment focus
- Still in start-up mode
- Actively seeking growth opportunities
  - Expect an uplift based on improved market conditions
  - Expansion into other office locations
  - Growth via EPS positive acquisition
- Opportunity to leverage new business across the whole group

Outlook

- Expect sustained organic growth
- Demand for employment services to continue at current or increased levels
- Continue to seek strategic acquisitions that meet strict financial criteria
- Debt to remain low
- Capital management options to be reviewed
- Well positioned to exceed last year's growth and profit

Historical valuation table

Shares on issue	**43,132,224**
Share price	**$2.05**
Market Capitalisation (MC)	**$88,421,059**
Net Debt (ND)	**+2,448,264**
Enterprise Value	**$88,421,059**
EBITDA (last 12 months)	**$10,641,144**
EBITDA/EV multiple	**8.3 times**
EPS (last 12 months – pre goodwill)	**15.9 cents**
Historical Price Earnings Ratio	**12.9 times**
Dividend (last 12 months – fully franked)	**10.5 cents**
Yield (Dividend over share price)	**5.1 %**

as at 31/12/04

Disclaimer:

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