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Clarius has released its interim profit results for the six months to December 2008. The reported NPAT was \$1.9 million before one-off costs and write down of good will. Can you provide us with the major features impacting the result and any updated trends on recent trading?

Executive Chairman, Geoff Moles

The result has been affected by a reduced demand for our services particularly permanent recruitment, and the costs associated with right sizing the business and the write down of goodwill of \$10.1 million. When we started to feel the effects of the downturn we took rapid action and reshaped our back office and support functions accordingly. This reduced our staffing levels by 10 per cent at a one off cost of \$1.3 million before tax. The ongoing savings from the reduced staffing level is approximately \$4 million annually.

Recent trading has seen permanent placement revenue down nearly \$5 million on the previous corresponding period in gross margin. Contracting and temporary revenue has held up relatively well, down approximately 4 per cent on the previous corresponding period.

The value of our businesses with high levels of exposure to permanent recruitment have been reduced in the context of the current market hence the write down of

goodwill. We maintain in our forward planning that these businesses will return to profit contribution once the economy improves.

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There has been extensive media coverage around the worsening employment outlook with unemployment forecast to increase over the next one to two years. How is Clarius positioned to withstand this environment? How long do you expect the downturn to last and what are the lead indicators to look out for in terms of a recovery?

Executive Chairman, Geoff Moles

We have managed the business through downturns in the past and positioned ourselves to ensure a strong capability to provide our services as the economy begins to recover. This situation is no different to the past four recessionary downturns we have had to deal with. We are experiencing encouraging signs of increased demand for contractors particularly in the ICT sector which will help offset the lower levels of permanent revenue. Our diversified revenue streams will help minimise our exposure to the financial sector that has been hardest hit.

Overall the business is positioned to come through the downturn. With tight cost management and a focus on reducing our debt levels, we are well placed to emerge strongly as business confidence is restored.

Our clients are telling us that there are signs that the economy will start to improve towards the end of calendar year 2009. One of the key indicators that we look out for is an improvement in business confidence that would lead to an increase in hiring intentions and business investment.

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Can you provide us with an indication as to how the business is currently trading in respect of permanent placements? What are the relative sensitivities for a change in permanent placements versus a change in contractor placements for the bottom line?

Executive Chairman, Geoff Moles

With any economic uncertainty it is the permanent placement revenue that is affected first. This is driven by clients not hiring new staff in times of uncertainty. However what this does is improve our prospects to provide contract staff. Permanent placement revenue is a smaller component of our overall revenues, it accounts for less than 10 per cent. It is also important to understand that permanent placement revenue is nearly all margin as opposed to contract that is typically in the 12 to 20 per cent range. Having said that because of the duration of temp and contract assignments and because it is less volatile in uncertain times it helps offset the effect on permanent placement revenue.

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The number of contractors remains a key indicator for the strength of the business. Can you provide us with an update on the number of contractors and temps in the business? What is your strategy around contractors in this market environment?

Executive Chairman, Geoff Moles

We are fortunate to have a strong position in contracting which is a far more resilient business during an economic downturn. The number of contractors and temps was around 2,500 at the end of June 2008 and we have seen a modest decline of about 10 per cent in the second quarter of the last half.

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Can you provide us with further details around your debt levels?

Executive Chairman, Geoff Moles

Net debt at December 31 2008 was at its peak of \$25 million which gave a gearing level of 26 per cent. I have been pleased with the progress we have made in relation to our management of working capital to the extent we have reduced our borrowings by \$5 million since December 31.

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Why has a decision been made to make no interim dividend payment. When do you intend to recommence dividend payments?

Executive Chairman, Geoff Moles

In light of our reported result and our objective of reducing our debt level, the decision was made not to pay an interim dividend. Retention of cash in the current environment is important and will strengthen our balance sheet. We will re-visit our dividend policy at the end of the financial year.

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Acquisitions have been a key feature of the Clarius strategy over the past few years. Do you intend to pursue further acquisitions over the next year? How would you plan to finance any acquisition opportunities should they appear?

Executive Chairman, Geoff Moles

In the current environment it is not our intention to pursue acquisitions in the short term. Whilst we will continue to consider opportunities as they present themselves we are not actively looking. Obviously any acquisition would have to be funded primarily by scrip in the current environment.

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You have recently assumed the role of Executive Chairman. Can you provide any further detail on why you have taken on this role and are you planning any changes to the strategy for the business?

Executive Chairman, Geoff Moles

Given my experience as the founder of the business, Managing Director for 17 years and managing the business through previous economic downturns I am back in the role. In terms of strategy, the major focus is on the short term. It's around what we can do over the next year to manage through a tougher economic environment. My focus has been around tight cost management, restructuring and right sizing the business to the current levels of demand. We have reduced the cost base including some further restructuring since December 31 based on our

assessment of the market with a view to remaining a viable and profitable organisation. We intend to have a strong capability to service our clients as business confidence returns.

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Thank you Geoff.

For further information about Clarius Group, visit www.clarius.com.au or call Geoff Moles on +61 2 9250 8100.

For previous Clarius Group Open Briefings, or to receive future Open Briefings by email, visit www.corporatefile.com.au.

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