ASX ANNOUNCEMENT

19 August 2009

SKILLED Group earnings within guidance; positioned for economic upturn

Financial Highlights
- Revenue up marginally to $1943m
- Reported EBITDA of $86.1m down 14.8% and reported NPAT $28.3m down 28%
- Underlying EBITDA of $88.7m and underlying NPAT $34.1m both within market guidance
- Operating cashflow $121.7m
- Reported earnings per share of 23c down 33%
- Fully franked final dividend of 1.5cps, full year dividend of 10.5cps

Operational Highlights
- Very strong first half performance with record revenues, profits and strong EBITDA margin
- Very challenging second half required strong cost management – removed $44m+ in costs
- Offshore Marine Services (OMS) continued its strong performance
- Excellent safety performance with our 12 month running average LTIFR improving 13% from 2.3 to 2.0 injuries per million hours worked

Capital Management Initiatives (Separately announced today)
- Extension of our committed bank debt facilities for 3 years to August 2012
- An equity capital raising comprising a $70m placement and a share purchase plan
- Reduction of our debt facility limit from $350m to $250m over the next 12 months

Outlook
- The worst appears to be behind us
- Strong leverage to a return to economic growth
  - Rebased cost structure will deliver strong flow through of revenues to profits
  - History demonstrates a strong rebound on a return to economic growth
- SKILLED remains the best positioned player in it's sector

FINANCIAL PERFORMANCE

SKILLED Group Limited ("SKILLED") (ASX: SKE) today reported it delivered an Underlying EBITDA[1] of $88.7m and an Underlying NPAT[2] of 34.1m for the 2009 financial year, both being within the market guidance range. This represents a 5.7% fall in Underlying EBITDA and a 19.4% fall in Underlying NPAT as a result of the very challenging business environment over the 2nd half of FY09.

The Reported EBITDA was $86.1m down 14.8% from the previous year's $101.1m, although this included a $7m for the profit on the divestment of SEM. The Reported NPAT was $28.3m down 28% from $39.3m for FY08.

Revenues have risen marginally to $1.94b up from $1.93b in FY08 although organic growth (excluding all acquisitions made in FY08) was -8.8%.

Total depreciation and amortisation increased from $19.8m to $21.5m including $17.1m in fixed assets, software and databases and $4.4m in amortisation of acquired intangibles. Total net interest

[1] Underlying EBITDA was calculated by adding back redundancy / branch closure costs of $5m and subtracting $2.4m in an adjustment to executive options expense for previous years from the Reported EBITDA of $86.1m.

[2] This included the after tax effect of the adjustments made to EBITDA (+1.1m), the notional interest on earn-out liabilities (+3.7m), amortisation of acquired intangibles (+3.0m), and the impact of a R&D Tax concession (-$2.0m).

expense was $27.4m, comprising net interest expense on debt of $23.9m and notional interest on earn out liabilities of $3.7m.

Strong operating cash flow of $121.7m was generated across the year primarily driven by a reduction in working capital requirements. SKILLED's net debt position was $258.7m down significantly from 299.1m at 31st December 2008.

Greg Hargrave, Managing Director and Chief Executive Officer, said:

"This financial year has been one of contrasts. The first half delivered strong financial outcomes on the back of improved business mix and growth. However, the second half has been very tough and we have responded by reducing costs by more than $44m. Regrettably, we have had to make a number of our staff redundant through this process, however, by using reduced working hours and an executive pay cut we have sought to minimise this as much as possible.

"The fall off in revenues in the second half was mainly the result of a reduction in the total market. We have generally held or increased our share with existing customers and have been able to re-negotiate a number of major multi-year contracts in the last 6 months. These will hold us in good stead as the economy begins to rebound over the next 6 to 12 months.

"It was also gratifying to see that not all of our businesses were heavily impacted by the downturn. For example our businesses with a high oil and gas industry exposure have performed well. SWAN which provides technical professionals in WA has been resilient and OMS continued to grow strongly.

"The year has also been an opportunity to make some major changes to the way we organise our business. Early in the year we consolidated our blue collar operations from eight to three regional operations driving scale and management control. We announced in July that we have complemented this with a further rationalisation of our Business Units into three major divisions; Staffing Services, Engineering and Marine; and Business Services. This will allow us to drive further productivity improvements and enhance joint selling opportunities along similar lines of business."

Fully Franked Dividend
The Board has declared a fully franked final dividend of 1.5cps (2008:14cps) to be paid on 14 October 2009 to all shareholders on the registry as at 6 October 2009. The shares will trade ex-dividend from 30 September 2009 and shareholders will continue to have the opportunity to participate in the Dividend Re-investment Plan with a 2.5% discount. This brings the full year dividend to 10.5cps, down from 23cps in FY2008.

OPERATIONAL OVERVIEW

<u>Workforce and Maintenance Services</u>

	FY09	FY08	Change
Revenue ($m)	1103.5	1265.7	-12.8%
EBITDA after Corporate Costs ($m)	42.6	55.7	-23.5%
EBITDA Margin (%)	3.9%	4.4%	

The Workforce and Maintenance Services segment includes the SKILLED brand, TESA Mining, Extraman, Catalyst's blue collar business, Long Hill, Waycon, NZ based ICE Personnel, and Tradeforce together with ATIVO and Pacific Relines.

After a strong 1st half, this segment had a difficult second half with a substantial reduction in the market demand for blue collar labour hire, maintenance activity and project work. Overall revenue fell by 12.8% to $1103m and EBITDA after corporate costs fell to $42.6m from $55.7m in FY08.

The blue collar labour hire business benefited somewhat from our broad industry exposure with sectors such as FMCG and the top tier miners providing a level of stability, but these were unable to counteract significant falls in general manufacturing, automotive, 2nd tier miners and infrastructure and utility sectors. As a result we have had to remove a significant amount of cost from this area by reducing staff numbers and the closure of 13 offices.

However, in the last few months we have seen this segment stabilise. Hours sold is now holding up and we are seeing growth emerging on a client specific basis. More generally the nature of the conversations with clients has shifted towards preparedness for growth.

Also during the year the new ATIVO brand was launched which incorporated the SKILLED Services and Pacific Relines businesses together with elements of Waycon. This business focuses on maintenance and 'fit and finish' project work and had significant success early in the year. The closure of BHP Billiton's Ravensthorpe operation and the general reduction in capital and maintenance expenditure across the economy meant that this performance was unable to be maintained. Activity in this sector remains subdued although ATIVO has had recent successes with wins in the mining, infrastructure and utilities spaces.

Other Businesses

	FY09	**FY08**	**Change**
Revenue ($m)	843.3	667.2	+26.4%
EBITDA after Corporate Costs ($m)	43.4	38.4	+13%
EBITDA Margin (%)	5.2%	5.8%	

The Other Businesses segment comprises Offshore Marine Services (OMS), Swan Contract Personnel, Excelior, Origin Healthcare, PeopleCo. and Mosaic.

This segment performed strongly with a 26% increase in revenue to $843m and a 13% increase in EBITDA after Corporate Costs to $43.4m. It was also exposed to the poor second half but to a lesser extent than the Workforce and Maintenance Services segment.

OMS was the standout performer this year with strong growth notwithstanding the downturn. While we expect this growth to moderate in the coming year in Australia we still expect good performance here and in the international operations with further profit improvement overall. We are particularly optimistic about short and medium term opportunities in the LNG sector, both in the OMS business and for the Group more generally, given the very large forecast capital expenditure.

SWAN with its large exposure to the oil and gas sector in West Australia performed well throughout the year and looks to be able to sustain this into the 2010 financial year.

Excelior, SKILLED's call centre business performed well with only a moderate impact from the downturn. We expect this business to continue to perform well with some good wins in recent months and a strong pipeline of well developed opportunities.

Origin Healthcare has had a difficult year with a significant fall off in the volume of shifts available for agency nurses together with many nurses seeking the security of permanent roles within hospitals. While we do not see a quick turnaround in the hospital market there are substantial opportunities in related segments that Origin is targeting for growth.

Mosaic, SKILLED's white collar recruitment businesses has been impacted by the downturn, primarily due to the fall in permanent recruiting opportunities. In contrast they have had success in maintaining volume and margins in the supply of temporary labour.

PeopleCo. which focuses on local recruiting services, has had a difficult year. The fall in volume was particularly difficult to manage in a business that is still in its start-up phase and required us to close a large number of branches.

CAPITAL STRUCTURE MANAGEMENT
SKILLED has recognised for some time that its gearing levels are too high for the current environment and it needs a stronger balance sheet to be best positioned for the economic upturn as it develops.

A separate ASX announcement has been released today detailing a number of changes to our funding arrangements that we summarise here. For more detail please refer to that document.

SKILLED's debt levels will be reduced through an equity capital raising comprising a $70m share placement and a share purchase plan. If demand for the share purchase plan exceeds $10m SKILLED reserves the right to scale back the applications. On the basis of our June 30th results this would reduce our gearing ratio from 53% to 45%. Over the coming financial year gearing is expected to fall further into the high 30%'s.

Our debt facilities have been extended for 3 years to August 2012, from the current $175m due August 2011 and $175m due August 2012.

The equity raising plus strong operating cashflow will enable the reduction of our debt facility limit from the current $350m to $250m by the end of the 2010 financial year.

These actions provide certainty around our capital structure and the platform on which to take advantage of the market as it returns to growth.

OUTLOOK AND GUIDANCE
We believe that the worst is behind us and we look forward to conditions improving as the year progresses.

We would caution that the current financial performance of the business can not be assessed through a simple annualisation of the FY 2009 second half result. This result was impacted by the relative timing of revenue declines and cost reductions. On current run rates, if maintained, we would deliver a result well above that from annualising the second half of FY2009.

Commenting on the outlook for SKILLED, Greg Hargrave said:

"Our business has clearly stabilised in the last few months with revenues across virtually all industries and brands no longer falling. We have also noticed a significant change in market sentiment with our conversations with many customers now turning towards preparedness for expansion and some customer specific jumps in demand.

"As the economy strengthens we are well placed for significant profit growth. Our streamlined cost base will provide strong profit leverage to any increase in revenues and our history demonstrates that as the economy returns to growth SKILLED rebounds, growing at a significant multiple to the broader economy.

"With our clear #1 position in the industry we look forward to a return to more favourable business conditions and commit to delivering significantly improved returns for shareholders as this occurs."

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About SKILLED Group
SKILLED Group Limited is Australia and New Zealand's leading provider of labour hire and staffing services. SKILLED Group has over 160 offices across Australasia with annualised revenues around $2 billion. SKILLED partners with clients to improve their workforce efficiency and increase their productivity levels and provides staffing services to the industrial and healthcare sectors. SKILLED is listed on the Australian Stock Exchange (ASX: SKE) and has approximately 6,200 shareholders, predominantly in Australia.