

29 April 2010

SKILLED Group - Market Update

Skilled Group Limited (ASX: SKE) (the Group) has reviewed its full year outlook and formed the view that it is likely to report EBITDA of approximately \$60 - 65 million for the year ended 30 June 2010, which is below the median analyst forecast of \$71 million. Underlying EBITDA, after adjusting for restructuring costs, is expected to be approximately \$4 million higher than reported EBITDA. As a result, the Group is likely to generate NPAT of approximately \$10 - 14 million and underlying NPAT is expected to be approximately \$17 - \$21 million.

While SKILLED Group's performance in late 2009 indicated signs of improvement and recovery from the Global Financial Crisis (GFC), it has now become apparent that overall earnings will be below market expectations for the 2010 year; primarily because of recent problems in the Group's non-staffing services business units and a weaker than expected recovery across the staffing services businesses.

While the performance of the staffing services businesses is steadily recovering from the GFC, the rate of improvement in the businesses, after the normal seasonal slowdown in early 2010, has not resumed at the pace realised in late 2009.

The Offshore Marine Services, ATIVO, Excelior and Origin Healthcare businesses have substantially underperformed expectations, with a significant impact on overall profitability. Specifically:

- SKILLED Group's Offshore Marine Services Australia business, which services the offshore oil and gas industry, has continued to experience flat trading conditions and in particular the profitability of the vessel business has significantly fallen short of expectations due to underutilization, higher than expected maintenance costs and anticipated provisioning for unprofitable contracts. In addition, the manning business has experienced some margin reduction;
- Excelior, SKILLED Group's contact centre business, has not been able to fully replace the workflow from the forecast conclusion of a major contract. As a result, in recent weeks redundancy costs at the Bendigo contact centre have been incurred. In addition, volumes at the Burnie centre have declined significantly from late 2009 levels and write-offs for other underutilized contact centre facilities are expected;
- ATIVO, SKILLED Group's maintenance and project services business, has experienced project deferrals, including projects that were in the advanced stages of negotiation. We expect these projects to still proceed at a later date but not in this financial year; and
- Origin Healthcare, SKILLED Group's nursing agency business, continues to experience reduced shift volumes as a result of hospitals reducing their expenditure on agency staff.

Strategic Review

As a result of recent unsatisfactory performance and the consequent negative impact on the Group's financial position the Board is implementing a fundamental strategic review of SKILLED Group's business portfolio, performance and prospects. SKILLED Group has appointed Goldman Sachs JBWere to lead the review, which is expected to take some months to complete.

The review will encompass a detailed business unit analysis and consider a broad range of options for SKILLED Group to restore value to its shareholders and other key stakeholders. This review has the full support of SKILLED Group's banking syndicate. The review may canvass changes to the Group's asset portfolio and operational and capital structure.

Greg Hargrave

SKILLED Group's major shareholder and Managing Director & Chief Executive Officer, Mr Greg Hargrave, has announced his intention to lead the review and then to step aside from his role as Managing Director & Chief Executive Officer upon completion of the review and the implementation of its recommendations.

Mr Hargrave said "SKILLED Group's recent performance has been unexpected and more importantly unacceptable. As Managing Director & Chief Executive Officer I take responsibility for this performance and want to ensure that all options available to the company are canvassed fully, with the interests of all shareholders paramount. As a major shareholder and Director, I intend to ensure that the review leads to outcomes that restore value for SKILLED Group's shareholders."

"This is an opportune moment to consider the need for fundamental change. I am very proud of my family's involvement in SKILLED Group's history, from my father's founding of the company 46 years ago to my own contribution to the growth of the business over the last 10 years, from \$400 million of revenue to almost \$2 billion."

"While the past two years through the impact of the GFC have been very difficult, I am proud of how the organisation has responded and very confident of the Group's ability to prosper in the better times ahead," Mr Hargrave said.

"However, to lead SKILLED Group through its next phase of growth and development will take a long term commitment. After ten years, I believe it is time for new energy and fresh leadership. Therefore, I have decided that after the completion of the review and implementation of its recommendations, I will step aside as Managing Director & Chief Executive Officer. As a part of the review, SKILLED Group will conduct a search for new leadership and establish a new management structure in the context of the review's recommendations," he said.

"I have great confidence in the management and employees of SKILLED Group and I am committed to working with them to carry out this review and the implementation of its recommendations, including facilitating a smooth management transition."

"I am deeply committed to the successful future of SKILLED Group and intend to remain a major shareholder and member of the Board for the long term," Mr Hargrave said.

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About SKILLED Group

SKILLED Group Limited is Australia and New Zealand's leading provider of labour hire and workforce services. SKILLED Group has over 160 offices across Australasia with annualised revenues around A\$1.9 billion. SKILLED partners with clients to improve their workforce efficiency and increase their productivity levels and provides staffing services to the industrial, healthcare and contact service centre sectors. SKILLED is listed on the Australian Stock Exchange (ASX: SKE) and has approximately 6,200 shareholders, predominantly in Australia.