ASX ANNOUNCEMENT

23 February 2011

Half Year Results for the six months ended 31 December 2010 and $53 million equity raising

Financial Summary

- Revenue of $934 million up 11%
- Underlying EBITDA of $42.7 million up 27% and underlying NPAT of $13.5 million up 50%
- Reported EBITDA of $27.6 million down 10%; reported NPAT of ($2.3) million down 151%
- Underlying adjustments before tax of $16.9 million, including $12.5 million of goodwill impairment and $1.7 million restructuring costs
- Operating cashflow up $22.3 million to $37.2 million
- Underlying earnings per share of 7.1 cents; reported earnings per share of (1.2) cents
- No interim dividend declared

Equity Raising

In conjunction with the 1H FY11 results, SKILLED Group announced an equity raising to reduce debt and debt servicing costs. The equity raising will strengthen SKILLED's balance sheet to support the Group's plans to turn around the financial performance of the business and support future growth.

The offer is being conducted as a fully underwritten 1 for 6 accelerated non-renounceable entitlement offer to eligible SKILLED Group shareholders to raise approximately $53 million at an offer price of $1.68 per share.

SKILLED "re-Engineering"

SKILLED Group (ASX: SKE) today announced an improved underlying result for the first half of FY11, reflecting improved general economic conditions.

SKILLED Group's recently appointed CEO, Mr Mick McMahon said "This result reflects the impact of positive macroeconomic drivers, in particular through our resources-exposed businesses, and highlights the potential I see within the business for improved financial performance over time.

However significant change is required to turn around the operational and financial performance of the Group and deliver sustainable improvement."

The **"SKILLED re-Engineering"** strategy announced today will begin to address this by:

- **building** on the strengths of our core business of labour hire and recruitment; its exposure to both a tightening market for labour and skills and activity levels in the oil and gas and resources sectors; and a strong foundation in servicing industries such as FMCG, manufacturing, civil, construction and infrastructure projects
- **leveraging** the strengths of the core business to deliver value added services such as training, supervised work crews, white collar recruitment, project management and maintenance services (ATIVO) and the provision of labour and services to the offshore oil and gas sector (OMS)
- **focusing** on financial discipline, strengthening the balance sheet, reducing overhead costs, leveraging the installed IT system base, continuing to improve governance, building capability and developing a 'One Team' culture that will harness the power of the group; and
- **improving** the performance or exiting from underperforming or non-core businesses

As a result of strategy implementation already underway:

- the proceeds from the equity raising will be used to reduce debt and debt servicing costs and position the Company for future growth.
- realignment of the organisational structure has commenced. The focus is on reducing corporate costs and reinvesting, where needed, in frontline resources. Approximately, $1.7 million in restructuring and branch closure costs have been incurred in this half. Further restructuring charges of between $4 to $5 million are expected over the next two years, with annualised cost savings of $10 million per annum expected to be delivered in line with the "SKILLED re-Engineering" strategy in the next two years.
- a review of the carrying value of the Company's asset values has also been completed. A goodwill impairment charge of $12.5 million has been incurred in this half for the Longhill, Skilled NZ and Extraman businesses. An incremental $3 million in accelerated amortisation of the Origin database has also been incurred, which will be repeated in the second half.
- the Company is in discussions with parties regarding the possible sale of Excelior, the customer contact solution business. The Board will consider the sale of the business if acceptable terms are agreed that reflect the full value of the business.

Performance Summary

Safety remains our number one value and the LTIFR (12 month rolling average) as at 31 December 2010 was 1.29 compared to 1.02 as at 30 June 2010. Tragically, there was one workplace (in WA) and three journey fatalities (2 in New South Wales; 1 in Tasmania) over the last six months. To address this issue, SKILLED Group has initiated a network wide Arrive Alive campaign focusing on the importance of safety on the roads and has moved to refresh our approach to safety via a leadership and behaviour focus as part of the "SKILLED re-Engineering" strategy.

Revenue (A$m)

	1H11	**1H10**	**Change**
Workforce Services	468.6	414.6	13.0%
Other Staffing Services	210.8	174.0	21.1%
Engineering and Marine Services	232.4	231.3	0.5%
Business Services (Excelior)	25.6	28.6	(10.5)%
Total Segment Revenue	**937.4**	**848.5**	**10.5%**
Eliminations	**(1.5)**	**(1.7)**	
Group Revenue[1]	**935.9**	**846.8**	**10.5%**

1 includes equity accounted income from OMSA JV

Group revenue was $935.9 million, up 10.5% on previous corresponding period (pcp).

The core Workforce Services division generated 13.0% revenue growth vs. pcp. The improvement was driven by general improvement in economic conditions assisting employment growth, increased civil and construction projects on the Eastern Seaboard and exposure to activity growth in the resources sector. This was offset in part by the effect of high rainfall on some clients mining operations, especially in the Hunter Valley.

Other Staffing Services, which includes Swan, Origin Healthcare, PeopleCo, Mosaic, Skilled Technical Professionals and Damstra Mining Services, made a significant contribution with 21.1% growth in revenue vs. pcp. Swan in particular was a major contributor as it benefited from increased engineering activity in the West Australian oil & gas and resources sectors.

Engineering and Marine Services revenue grew only 0.5% vs. pcp due to lower levels of Australian drill rig manning activity offset by a number of ATIVO shutdown and project wins.

Revenue in Business Services (Excelior customer contact centres), fell by 10.5% as call volumes decreased compared to pcp.

Underlying EBITDA (A$m)

	HY11	HY10	Change
Workforce Services	20.1	18.8	6.9%
Other Staffing Services	10.0	8.0	25.0%
Engineering and Marine Services	20.5	11.8	73.7%
Business Services (Excelior)	0.8	2.7	(70.4%)
Unallocated / Eliminations	(8.7)	(7.7)	
Underlying EBITDA	**42.7**	**33.6**	**27.1%**

Underlying EBITDA was up 27% vs. pcp as margins increased to 4.6% from 4.0% in 1H10.

Offshore Marine Services (OMS) and ATIVO (within Engineering and Marine Services), and Swan (within Other Staffing Services) continue to benefit from growth in oil and gas and resources activity.

Workforce Services' underlying EBITDA margin reduced in the period to 4.3% vs. 4.5% pcp, reflecting competitive pressure on margins in the Australian market and workers compensation self-insurance costs resulting from the 2 journey fatalities in NSW.

Underlying Profit After Tax (A$m)

	HY11	HY10
Reported Profit After Tax	**(2.3)**	**4.5**
Restructuring costs	1.2	2.0
Costs associated with the discontinued sale process of Swan[1]	0.6	-
Asset impairment – goodwill (non cash)	12.5	-
Notional interest on earn-out liabilities (non cash)	0.6	1.4
Amortisation of intangibles assets (non cash)	0.9	1.1
Underlying Net Profit After Tax	**13.5**	**9.0**

[1] includes incremental internal expenses of $0.3m inclusive of staff retention payments

Reported NPAT was ($2.3) million compared to $4.5 million for the pcp, including restructuring and branch closure costs, goodwill impairment and costs associated with the discontinued sale process.

A goodwill impairment charge of $12.5 million was incurred in 1H FY11 and relates to the Longhill ($2.7 million), Skilled NZ ($1.7 million) and Extraman ($8.0 million) businesses. This impairment is principally due to a more conservative view taken on expected sales revenue and margin. Extraman represents just over 1% of SKILLED Group's sales revenue.

Interim Dividend

The Board has decided not to declare an interim dividend as it continues to focus on conserving cash and reducing debt. The successful completion of the capital raising and expected improvement in performance from the "SKILLED re-Engineering" strategy should assist a return to the payment of sustainable dividends in future periods.

Outlook

Economic growth in Australia is expected to sustain employment growth, particularly in the oil and gas and resources sectors.

We expect that profitability will increasingly demonstrate the benefits of the SKILLED "re-Engineering" strategy over time.

Restructuring costs will continue to be incurred in the second half, offset somewhat by lower interest costs as a result of the debt reduction.

However, the rate of revenue growth in the second half may be impacted by:

- uncertain timing of recovery post the Queensland floods;
- activity levels in industrial sectors remaining patchy; and
- the deliberate exit from some higher risk contracts in Engineering and Marine Services.

In addition, profitability will continue to be impacted by the accelerated amortisation of the Origin database in the second half.

Segment Overview

(all EBIT and EBITDA results are before Corporate Costs)

Workforce Services:

Provision of blue-collar labour hire in the industrial, mining and resources sectors. Brands include SKILLED, TESA, Extraman and Longhill Group.

		1H FY11	1H FY10
Revenue	$M	468.6	414.6
Underlying EBITDA	$M	20.1	18.8
Underlying EBITDA margin		4.3%	4.5%
Underlying EBIT	$M	17.2	16.0
Underlying EBIT margin		3.7%	3.9%

Revenue growth in Workforce Services was driven by increased levels of activity with growth in mining and, on the Eastern seaboard, civil and construction projects and major roads upgrades in particular.

This growth was somewhat offset by the unusually high rainfall that resulted in a loss of production time in the Hunter Valley in particular; specific high end skills shortages; and some clients responding to these shortages by seeking to insource more labour.

The business experienced continued margin pressure as competition remains intense.

Costs were higher due to self insurance costs associated with the two NSW journey fatalities.

Other Staffing Services:

Provision of nursing, white collar, engineering and technical professional staff. Brands include Swan, Origin Healthcare, PeopleCo, Mosaic, Skilled Technical Professionals and Damstra Mining Services.

		1H FY11	1H FY10
Revenue	$M	210.8	174.0
Underlying EBITDA	$M	10.0	8.0
Underlying EBITDA margin		4.7%	4.6%
Underlying EBIT	$M	4.1	5.0
Underlying EBIT margin		1.9%	2.9%

Swan continued to benefit from the increased engineering development occurring in the West Australian oil & gas and resources sectors. This business remains well positioned to take advantage of sustained development activity in this sector, including major LNG and resources projects.

Demand for contractors and permanent recruitment in professional services, mainly in the IT&T sector, remained strong, contributing to the increased revenue for Mosaic.

Revenue and contribution from PeopleCo and Skilled Technical Professionals were lower than expected as SKILLED transitioned its management team.

Origin Healthcare continued to be affected by the decline in agency nursing utilisation from major private and public hospitals seen over recent years. An accelerated amortisation cost of an incremental $3 million on the Origin database has been incurred in this half. This will be repeated in the second half at which point the database asset will be fully written down.

Engineering and Marine Services:
Provision of contract maintenance and engineering services and offshore marine staffing and vessel chartering and management services. Brands include ATIVO and Offshore Marine Services.

		1H FY11	1H FY10
Revenue	$M	232.4	231.3
Underlying EBITDA	$M	20.5	11.8
Underlying EBITDA margin		8.8%	5.1%
Underlying EBIT	$M	19.5	10.9
Underlying EBIT margin		8.4%	4.7%

The substantial increase in the underlying EBITDA was due to the stronger contribution from both Offshore Marine Services and ATIVO.

In the OMS Australia business, lower revenue levels due to lower levels of rig manning in Australia was offset by higher margins on vessels due to an improved currency position and lower bareboat charter rates; and lower vessel maintenance costs and improved utilisation compared to pcp.

Growth in OMS International also contributed to the improved result.

Revenue and contribution from ATIVO was stronger vs. pcp due to the business securing a number of maintenance contracts with blue chip clients in Western Australia and in the manufacturing sector. ATIVO also successfully completed 2 major shutdowns which will not be repeated in the second half.

While the pipeline for major LNG projects remains strong and the business is well positioned to service some of this growth (in collaboration with Swan and SKILLED), the impact of a focus on reducing exposure to high risk or low return contracts and projects is likely to see growth in this segment remain subdued in the second half.

Business Services:
Provision of customer contact solutions to third party clients through Excelior

		1H FY11	1H FY10
Revenue	$M	25.6	28.5
Underlying EBITDA	$M	0.8	2.7
Underlying EBITDA margin		3.1%	9.4%
Underlying EBIT	$M	(0.4)	1.0
Underlying EBIT margin		(1.6%)	3.5%

Excelior's result was heavily impacted by margin reductions on a major contract as part of a re-tender process and reduced call volumes at the Burnie contact centre. The business is well positioned to be a strong contender in the continued outsourcing of government work given its high success rate in government tenders and a strong track record of performance for government clients.

As mentioned above, the Company is in discussions with multiple parties regarding the possible sale of this business.

Underwritten Entitlement Offer to Raise $53 million

SKILLED Group is pleased to announce a $53.4 million equity raising to reduce the Group's debt and debt servicing costs. Following the equity raising SKILLED Group will have an appropriate capital structure, which, together with the "re-Engineering" strategy to reduce costs and enhance operating performance, is expected to underpin improving returns for shareholders.

The equity raising will comprise a 1 for 6 accelerated non-renounceable entitlement offer ("Entitlement Offer") to raise approximately $51.6 million, net of costs. The Entitlement Offer will be made on the basis of 1 new SKILLED Group ordinary share for every 6 existing SKILLED Group ordinary shares held at 7.00pm (Melbourne time) on Monday 28 February 2011.

The Entitlement Offer is underwritten by Goldman Sachs (the "Underwriter") and will consist of an institutional component ("Institutional Entitlement Offer") and a retail component ("Retail Entitlement Offer"). The Entitlement Offer price will be $1.68 which represents a 9.7% discount to SKILLED Group's closing share price on Tuesday 22 February 2011 and an 8.4% discount to the theoretical ex-rights price.

The Entitlement Offer is non-renounceable. Accordingly, shareholders who do not take up their entitlements will not receive any value for those entitlements and will have their ownership level of SKILLED Group diluted.

The Directors of SKILLED Group (other than Mr Greg Hargrave) have indicated that they presently intend to participate in the Entitlement Offer in respect of shares they control. Given that Mr Hargrave is on a leave of absence from the Board, the Company has not requested and has not received any confirmation from Mr Hargrave as to his intentions for participating or not participating in the Entitlement Offer in respect of shares he controls.

Important Information about the Entitlement Offer

Under the accelerated Entitlement Offer structure the Underwriter will have the ultimate discretion to determine whether SKILLED Group shareholders are eligible institutional shareholders or retail shareholders. Where the Underwriter determines that a shareholder that is a sophisticated or a professional investor is an eligible institutional shareholder, that shareholder will be made an offer to participate in the Institutional Entitlement Offer and will not be able to participate in the Retail Entitlement Offer.

Where an eligible institutional shareholder does not submit an irrevocable offer to take up their full pro rata entitlement, the balance of its entitlement not expressly taken up may be treated, in the absolute discretion of the Underwriter, as not taken up by the eligible institutional shareholder. The onus ultimately rests with eligible institutional shareholders to confirm to the Underwriter whether or not they will take up their entitlement pursuant to the Institutional Entitlement Offer.

Entitlements not taken up by eligible institutional shareholders and entitlements that would have been offered to ineligible institutional shareholders (had they been eligible to participate) will be sold to other Institutional Investors at the Entitlement Offer price via a bookbuild process ("Institutional Bookbuild").

New shares issued in the Offer will rank equally with existing SKILLED Group ordinary shares.

SKILLED Group expects to announce the outcome of the Institutional Entitlement Offer and Institutional Bookbuild to the market prior to commencement of trading on Friday, 25 February 2011.

For further information please contact:
Delphine Cassidy
Group General Manager Investor Relations
SKILLED Group Limited
Mobile: 0419 163 467

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$1.7billion. 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.

Purpose of this document
This presentation contains general background information about SKILLED Group's activities current at 23 February 2011. It is information in a summary form and does not purport to be complete. It should be read in conjunction with SKILLED Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

Not a prospectus; No invitation or offer
The information in this presentation is not a prospectus or offering document and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in SKILLED Group. The information in this presentation is an overview and does not contain all information necessary to an investment decision. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular person. Therefore, before acting on any information contained in this presentation, each person should consider the appropriateness of the information having regard to its individual objectives, financial situation and needs, and should seek its own independent professional advice. This presentation, and the information contained herein, will not form the basis of any contract or commitment. Any decision to purchase securities of SKILLED Group under the offering must be made solely on the basis of the information to be contained in any separate offer document to be prepared and issued to eligible investors in connection with any offering.

Exclusion of representations and warranties
This presentation has been prepared by SKILLED Group on the information available. To the maximum extent permitted by law, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions in this presentation and SKILLED Group, its directors, officers, employees, agents and advisers disclaim all liability and responsibility (including for negligence) for any direct or indirect loss or damage which may be suffered by any recipient through use or reliance on anything contained in or omitted from this presentation.

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Before making an investment decision, you should consider whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

Forward looking statements
The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks, and contingencies, many of which are outside the control of, and are unknown to, SKILLED Group. In particular, they speak only as of the date of this presentation, they are based on the particular events, conditions or circumstances stated in the materials, they assume the success of SKILLED Group's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks.

SKILLED Group disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this presentation to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement or information is based. Nothing in this presentation shall under any circumstances create an implication that there has been no change in the affairs of SKILLED Group since the date of this presentation.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including SKILLED Group). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward looking statement will be achieved. Actual future events and conditions may vary materially from the forward looking statements and the assumptions on which the forward looking statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on such forward looking statements.

In receiving this presentation, you agree to the foregoing restrictions and limitations.

Recipients should have regard to the risks set out in this presentation.