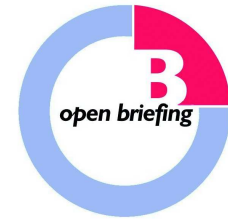


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At the Skilled Group AGM on 21<sup>st</sup> October you reconfirmed your EBITDA guidance for the year ending June 2009 in the range of \$100 million to \$110 million. This compares to FY08 EBITDA, excluding SEM Fire & Rescue divestment profits of \$94.1 million. How confident are you in achieving this guidance?

**CEO & MD Greg Hargrave**

We remain confident of achieving full year earnings within the guidance range we've provided. This is based on our results to date, reasonable expectations about converting pipeline opportunities, impact of cost saving initiatives implemented across the business and allowing for the impact of the slowing economy. Our business has performed well so far this financial year. I am pleased to say that we remain on track to report a good performance in the first half of FY09. Our core proposition is providing workforce flexibility and in uncertain times this resonates with many of our clients.

However, current uncertainty within the global economic environment is such that it's extremely difficult to ascertain the future impact of an economic slowdown on our business. The diverse exposure of our business to a range of industry sectors means that in difficult economic times such as these, we generally see some parts of our business slowing while others continue to perform very strongly.

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Some listed recruitment companies have issued earnings downgrades. Why have you proven resilient to that trend?

**CEO & MD Greg Hargrave**

Our profitability is not dependant on permanent recruitment which is always hit by hiring freezes in times like this. We're also not exposed to the worst hit sectors, for example banking, finance, property, retail and general administration and middle management. Furthermore, we have areas of more stable revenue with ongoing contracts in oil and gas, outsourced call centres and maintenance areas.

Whilst we may see some increase in the availability of skilled blue-collar workers, which is the large majority of our business, the extent of today's shortage means that demand for these skills will continue to outstrip supply. Also, as stated previously our diverse industry exposure is seeing some sectors still performing strongly.

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Over the past six months, SKILLED's share price has fallen from a high of \$3.35 on 6<sup>th</sup> June 2008 to a current \$1.50. Is there a clear reason? Is there any cause for concern around your debt facilities?

**CEO & MD Greg Hargrave**

Our outlook for debt has not changed. Since the beginning of the financial year as expected, our net debt has increased to around \$320 million as a result of the earn-out payments made for the Swan Contract Personnel and Offshore Marine Services Australia and New Zealand businesses. However, we expect this to decrease in the second half of FY09 to between \$280 million to \$300 million at year end due to improved seasonal impacts on working capital balances and strong operational cash flows.

Furthermore, we have locked in our banking facilities. We are pleased with our position with regard to our committed \$350 million syndicated bank debt facility, which includes two tranches of \$175 million each maturing in August 2010 and August 2011 respectively. We have strong relationships with our banking syndicate comprising NAB, ANZ and Westpac. The maturity profile of the total facility enables us to approach the future with confidence from a funding availability viewpoint.

Other than the share market's general weakness, we are not clear why our rating is depressed. At the current price of \$1.50, our market capitalisation is \$184 million. Our net debt of circa \$300 million, implies an enterprise value (EV) of about \$484 million and EV/EBITDA multiple of below 5 times given our EBITDA guidance of \$100 million to \$110 million. At the current share price our dividend yield is around 15 percent fully franked.

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You acquired Offshore Marine Services (OMS) in the year ending June 2008. What progress have you made in integrating both the Australia and New Zealand and international arms of the business into Other Brands? How is this business performing versus expectations?

**CEO & MD Greg Hargrave**

The various arms of OMS are all performing well. The Australian business continues to perform ahead of initial expectations and the New Zealand business is performing in line with expectations. The UK and International businesses are significantly smaller in size, but also had a better than expected start to FY09.

We have integrated finance, treasury, occupational health and safety (OHS) and certain other governance areas. We have not sought to make any operational integration of these businesses with other parts of the overall Skilled Group portfolio, due to the unique nature of the OMS client base and markets served.

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You've indicated that about 44 percent of SKILLED's earnings is based around the resources and infrastructure sectors, while the other 26 and 30 percent of it is based around manufacturing and other sectors respectively. Can you give an insight on the performance of each sector?

**CEO & MD Greg Hargrave**

Demand for our services in the oil and gas sector continue to remain very strong. As mentioned, the performance of our OMS business in Australia and New Zealand is stronger than in the previous corresponding period, and this is also the case for Swan Contract Personnel which supplies technical professionals to the oil and gas and mining industries.

The exceptional growth experienced by the mining and resources sector in recent years does appear to be returning to more normal levels. This industry continues to represent a significant market for our business, contributing around 20 percent of our revenue mix.

Those industries where we are beginning to see a decline in demand for our services include the automotive industry, predominantly in South Australia and Victoria, and to a smaller extent primary manufacturing industry.

We also have strong contracts in our outsourced call centre operations from Government and utilities. We are optimistic in our outlook for the infrastructure sector, as overdue Government infrastructure projects come online and the Government takes steps to stimulate economic activity in the near term. We also expect demand for maintenance and project services will continue, as companies undertake ongoing maintenance of their assets.

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In FY08, you invested in internal shared services infrastructure aimed to improve operational efficiencies across SKILLED. Have you seen any benefits from this strategy to date?

**CEO & MD Greg Hargrave**

Our shared services infrastructure was partially implemented during the last half of FY08 and will be fully operational towards the end of second half of FY09. We have begun to see certain operational benefits flowing from the new structure, however we do not expect to realise the full benefits from this until the 2010 financial year.

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You also acquired Hudson Trade & Industrial, the Longhill Group and Tradeforce NZ for approximately \$11 million in total in FY08. What has been the progress in integrating these businesses into the SKILLED brand?

**CEO & MD Greg Hargrave**

The Hudson Trade & Industrial and Longhill businesses have been fully integrated into the SKILLED Workforce Services business.

The Tradeforce NZ business reports as part of SKILLED NZ in a management sense. However, due to the existence of an earn-out arrangement, it continues to be separately managed and will not be fully integrated until the end of the earn-out period in December 2009.

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Cash flow from operations in second half of FY08 was \$48 million compared with the first half of negative \$33 million. What are your expectations for the trends in cash flow throughout FY09?

**CEO & MD Greg Hargrave**

We expect cash flow from operations in the first half of FY09 to be positive. This will be driven by stronger EBITDA performance, reduced working capital investment and lower tax payments than in the first half of last year.

Cash flow from operations for second half of the year will largely depend on our operational performance reflected in EBITDA. However, normal cyclical influences should still apply to provide a reduction in working capital investment in the second half of the year compared to the first half.

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Thank you Greg.

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For more information about SKILLED, visit [www.skilledgroup.com.au](http://www.skilledgroup.com.au) or call Terry Janes, Chief Financial Officer, on (03) 8646 6444.

For previous Open Briefings with Skilled Group Limited, or to receive future Open Briefings by e-mail, please visit [www.corporatefile.com.au](http://www.corporatefile.com.au).

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