

1 May 2008

SALE OF SEM FIRE AND RESCUE AND EARNINGS UPDATE

SALE OF SEM FIRE & RESCUE

SKILLED Group Limited ("SKILLED") (ASX: SKE) today announced that it has sold its emergency services vehicle manufacturing business, SEM Fire and Rescue Pty. Ltd. ("SEM"), to a consortium led by Turnberry Funds Management.

SKILLED will receive an upfront payment of \$11 million, plus the opportunity to receive an additional amount of up to \$1 million through an earnout arrangement based on the company's 2009 performance. SEM is expected to deliver earnings of around \$2 million for the full year 2008.

Cash proceeds from the sale of \$11 million will be used by SKILLED to reduce debt. Post tax profit on the sale is estimated at around \$5 million.

Commenting on the sale of SEM, Greg Hargrave, Chief Executive and Managing Director of SKILLED Group, said:

"The manufacturing of emergency services vehicles represents a non-core operating business for SKILLED. SKILLED's core business is focused on labour hire and workforce services and it has been the company's strategy over the past four years to realign its investments to concentrate on this sector.

"The sale of SEM represents a successful outcome for all parties concerned. SEM is a good business with strong growth potential and under new ownership the business, its employees and customers, will benefit from a dedicated focus on the market for customised emergency services vehicles."

EARNINGS UPDATE

SKILLED Group today advised that it has updated its earnings guidance for the full year ending 30 June 2008 to EBITDA of \$92 to \$97 million and NPAT of \$31 to \$35 million. Depreciation and amortisation is estimated to be \$19.5 million.

This estimate excludes the profit on divestment of SEM and takes into account around \$900,000 in EBITDA foregone in the months of May and June as a result of the SEM sale.

The revised earnings guidance is influenced by the following factors:

- the temporary affects of inclement weather in Queensland and New South Wales
- delays to major infrastructure projects
- the short-term cessation of certain government contracts
- reduced access to key skill sets arising from changes to 457 visa regulations
- two months EBITDA foregone on the sale of SEM

Guidance provided at the interim results in February 2008 was for full year EBITDA and NPAT at the low end of \$98 - \$103 million and \$35 - \$38 million respectively. Depreciation and amortisation was expected to be around \$20.5 million.

SKILLED Group Chief Executive and Managing Director, Greg Hargrave, said that while the company's performance in the second half hadn't been as strong as expected, factors affecting performance were largely temporary in nature and the company looks to the new financial year with confidence.

"Our operations have been impacted by heavy rains and flooding, particularly in Queensland and also in New South Wales. Whilst these conditions have largely subsided we are yet to see industry operations return to pre-Christmas levels. Other factors include delays to major infrastructure projects, a key government contract postponed until late June and the unresolved issue of 457 visas.

"Though we are cognisant of uncertainties in the broader economy, we remain cautiously optimistic for the future. Our underlying business performance continues to be strong and even at the low end of earnings guidance we will achieve more than 30 per cent growth in EBITDA year on year."

Inclement weather

Labour supply to the black coal industry of North Queensland and the Hunter Valley has been impacted by prolonged heavy rains experienced in January and February. Poor weather conditions have been ongoing in these parts, forcing mines to temporarily close and stop work.

Sustained wet weather in North Queensland caused a major disruption to normal business activity and caused many businesses to stop work. Outdoor industries such as building and construction felt the largest impact, with a knock-on effect felt by suppliers to these industries.

Delays to major infrastructure projects

A number of major infrastructure projects were expected to commence in the second half of 2008 financial year have since been delayed. These projects are anticipated to commence in the period July to December.

Temporary cessation of government contracts

Government expenditure has tapered in recent months, evidenced by a slow down in permanent recruitment in Canberra, as well as the temporary cessation of a government contract with our customer contact centre business. This contract is expected to resume in late June.

457 Visas

Unresolved difficulties with 457 visa regulations have further exacerbated the skills shortage in key skills sets. Changes in regulations continue to restrict our ability to meet the demands of industry for skills in areas that have traditionally been supplemented by labour sourced internationally. This is particularly the case in Western Australia and Northern Territory where demand for mining and engineering specialists remains strong. We are currently looking at a number of initiatives to address this issue, including methods for sourcing and matching labour demands on a national scale.

Outlook

The outlook for SKILLED Group in FY09 remains positive. Our underlying business performance continues to be strong and we remain the leader in our industry.

Our business will continue to benefit from strong growth in the oil and gas and mining and resources sectors. SKILLED Group's exposure to these industries is currently around 35 per cent and demand for labour in these industries is expected to continue unabated.

We expect planned infrastructure projects will come on stream in the new financial year and key government contracts to resume. Despite a degree of uncertainty in the broader economy, our outlook for the future remains positive.

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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 170 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, 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.