

25 February 2009

**SKILLED Group delivers record result
for the half year ended 31 December 2008**

Financial Highlights

- Revenue of \$1,067.4 million up 16%
- Earnings before Interest Tax Depreciation and Amortisation (EBITDA) of \$56.8 million up 39%
- Increased EBITDA Margin from 4.5% to 5.3%
- Reported Net Profit after Tax (NPAT) of \$21.4 million up 48%
- Underlying Net Profit after Tax (NPAT) \$25.8 million up 48%
- Reported Earnings per Share (EPS) 17.5 cps (2008: 13.5) up 30%
- Fully franked interim dividend per share (DPS) 9.0 cps (2008:9.0)

Operational Highlights

- Recently acquired Offshore Marine Services (OMS) continued to perform well ahead of expectations
- Excelior, our call centre business, had a very strong half and benefitted from high call centre utilisation and a new major government contract
- Early focus on cost management and savings initiatives across the business helped to preserve profitability
- Investment in our shared services and IT back office system has started to deliver operational efficiencies and will lead to reduced costs
- Continued focus on safety helped to reduce our rolling average lost time injury frequency rate (LTIFR) to 2.23
- Industry diversification and the market leading position of our businesses will provide insulation during the economic downturn
- We are confident of our ability to continue to deliver through the cycle and expect to further grow our market share

FINANCIAL PERFORMANCE

SKILLED Group Limited ("SKILLED") (ASX: SKE) today reported revenue of \$1,067.4 million, up 16% from the corresponding period and an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) of 39% to \$56.8 million.

Reported net profit after tax (NPAT) increased 48% to \$21.4 million. After adjusting for the notional non-cash interest charge on earn-out liabilities (\$2.7 million) and amortisation of intangible assets (\$1.7 million), the underlying net profit after tax (NPAT) increased by 48% to \$25.8 million.

Total depreciation and amortisation increased 8% to \$10.5 million, including \$8.1 million in depreciation and amortisation of fixed assets, software and databases, and \$2.4 million in amortisation of acquired intangibles. Total net interest expense was \$14.0 million, comprising net interest expense on debt of \$11.3 million and notional interest on earn-out liabilities of \$2.7 million.

Net debt peaked in October 2008 when earn-outs for OMS and Swan Contract Personnel were paid and at 31 December 2008 net debt was \$299.1 million. The Board continues to assess debt reduction strategies and net debt is expected to be around \$270 - \$290 million by 30 June 2009. SKILLED Group's gearing expressed as net debt to net debt plus equity was 57% and interest cover (EBITDA / interest expense) was a comfortable 5.0 times.

Strong operating cash flow before interest of \$50.7 million continued the trend from the second half of 2008.

Commenting on the performance Greg Hargrave, Managing Director and Chief Executive Officer, said:

"Our record result demonstrates that our strategy of the last few years is paying off. Industry diversification is protecting our earnings and our investment in our business infrastructure is starting to deliver reduced costs and improved efficiencies.

The first four months were very strong with conditions weakening in November and December as the global financial crisis began to impact the Australian economy. Nevertheless, OMS continued to perform well ahead of our expectations and Excelior had a very solid first half driven by high utilisation of its call centres.

Cognisant of deteriorating conditions in the US, we began preparing for a downturn early in calendar 2008 and our ongoing focus on cost management has helped us to preserve profitability. We continue to carefully manage our non-essential expenditure and day-to-day operations and this discipline will enable us to exit the downturn in a strong position, relative to our peers.

The implementation of our shared services and back office infrastructure is now 80% complete and has been rolled out across staff HR, procurement, credit and Business Unit accounting. The centralisation of resources and processes has created consistency and enabled our Business Units to focus on their core business operations, thus lowering costs. We expect delivery of our payroll and billing system within the next six months.

Pleasingly, we continued to improve our safety performance with our rolling average lost time injury frequency rate reducing to 2.23. This is testament to our strong safety culture and our continued focus on our OHS structure to improve compliance and health and safety outcomes."

Fully Franked Interim Dividend

The Board have declared a fully franked interim dividend of 9.0 cents per share (2008: 9.0 cents). The dividend will be paid on 15 April 2009 to all shareholders on the registry as at 31 March 2009. The shares will trade ex-dividend from 25 March 2009 and shareholders will continue to have the option of participating in the Dividend Reinvestment Plan with a 2.5% discount.

OPERATIONAL OVERVIEW

Workforce and Maintenance Services

		6 months to 31 December 08	6 months to 31 December 07	Change %
Revenue	\$M	635.9	621.9	+ 2
EBITDA (before corp cost allocation)	\$M	37.5	36.6	+ 2
EBITDA Margin	%	5.9	5.9	
Corporate Costs Allocation	\$M	(7.0)	(8.9)	
EBITDA (after corp cost allocation)	\$M	30.5	27.7	+10
EBITDA Margin	%	4.8	4.5	

Workforce and Maintenance Services, which includes SKILLED brand, TESA Mining, Extraman and ATIVO, achieved an increase in revenue by 2% to \$635.9 million and an increase in EBITDA of 10% to \$30.5 million, after the allocation of corporate costs.

Workforce Services was impacted by the slowing economy reporting flat revenue. However, continued focus on stringent cost management helped the business to preserve profitability. Declining activity across the manufacturing and automotive sectors was mitigated by solid growth in infrastructure and utilities, rail and fast moving consumer goods.

In November, Workforce Services was restructured from a State based operation to a regional focus. The transformation has enabled the business to be more customer-focused, increased accountabilities for customer management and ultimately, deliver clients a higher-standard of service.

In September 2008, the maintenance and project services business was rebranded ATIVO, bringing together SKILLED Services, Waycon and Pacific Relines. Specialising in contract maintenance, project services and shutdowns and outages, the business had a solid first half driven by several high margin projects.

Other Brands

		6 months to 31 December 08	6 months to 31 December 07	Change %
Revenue	\$M	433.2	297.4	+ 46
EBITDA (before corp cost allocation)	\$M	30.9	17.1	+ 81
EBITDA Margin	%	7.1	5.8	
Corporate Costs Allocation	\$M	(4.7)	(3.8)	
EBITDA (after corp cost allocation)	\$M	26.2	13.3	+97
EBITDA Margin	%	6.0	4.5	

Other Brands, comprising OMS, Swan Contract Personnel, Excelior, Origin Healthcare, Mosaic and PeopleCo., reported a 46% increase in revenue to \$433.2 million, including solid like-for-like organic revenue growth of 19%. EBITDA increased 97% to \$26.2 million, after the allocation of corporate costs.

Offshore Marine Services (OMS) delivered well ahead of expectations with a particularly strong performance from OMS Australia. The emerging businesses of UK, Malta and Dubai continued to demonstrate solid growth prospects.

Swan Contract Personnel continued its strong performance delivering healthy revenue and earnings and continuing to grow market share will be a key focus going forward.

Excelior, SKILLED's call centre business, had a robust first half with strong revenue and profitability driven by solid activity. Securing a major government contract in October was a significant achievement for the business. While it has been a slower start to the second half, the business has a good pipeline of opportunities as companies seek to outsource their call centre operations to focus on their core business.

Origin Healthcare, SKILLED's healthcare business reported flat revenue and earnings. The business secured several new clients across aged care, community care and at home care and the ProSafe business, which provides OHS medics for the oil and gas sector, continued to exceed expectations.

Strong growth in temporary placements helped to offset the decline in permanent recruitment for Mosaic, SKILLED's white collar business. IT contracting and business support and administration continue to hold up and the business has been successful in securing several new tenders.

PeopleCo., SKILLED's start-up business providing staffing services to the small to medium enterprise market (SMEs) was impacted by the economy but growth in revenue from temporary placements helped to alleviate the decline in permanent recruitment.

OUTLOOK AND GUIDANCE

In 2008/09, SKILLED is forecasting full-year EBITDA guidance in the range of \$100 to \$110 million. Total reported depreciation and amortisation is expected to be approximately \$21 million. Reported NPAT is expected to be in the range of \$34 to \$41 million. After adjusting for the post-tax impact of notional interest on earn-out liabilities of approximately \$4 million and amortisation of acquired intangibles of approximately \$3 million, Underlying NPAT is expected to be in the range of \$41 to \$48 million.

Commenting on the outlook for SKILLED, Greg Hargrave said:

“Although uncertainty about the economic outlook continues, we remain confident of our ability to continue to deliver through the cycle. While we expect a more challenging second half, our industry diversification offers some insulation from the economic downturn and provides an opportunity to more aggressively pursue industries that are counter-cyclical.

Over the last couple of months automotive and some parts of manufacturing have been severely impacted but we are seeing solid demand across infrastructure and utilities, rail and oil and gas. Productivity remains steady in the fast moving consumer goods (FMCG) sector as consumers migrate from purchasing brand names to supermarket home brands.

We have a flexible cost base and we are not a capital intensive business. We do not have plant and property to maintain and we have low capex requirements. Our 25,000+ field employees are predominantly employed on a casual basis and paid only if they work, providing us with a high level of flexibility.

We continue to drive through business improvement projects and closely manage our costs and our cash flow. Our focus on managing our day-to-day operations will provide us with greater operational efficiencies and enable us to capitalise on opportunities when the economy strengthens and companies require immediate access to labour.

In addition, our strong market leading position in our chosen sectors will enable us to continue to increase market share as our clients look to consolidate their suppliers. We will emerge from this global slowdown in a stronger position relative to our competitors.”

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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 over \$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.