

22 April 2009

SKILLED GROUP REVISES ITS 2008/09 EARNINGS GUIDANCE

SKILLED Group Limited ("SKILLED") (ASX: SKE) today announced that due to a rapid deterioration in business conditions it is revising its earnings guidance for the full year ending 30 June 2009. Earnings before interest, tax, depreciation and amortisation (EBITDA) is now expected to be in the range of \$87 – \$92 million, down from the previous guidance of \$100 – \$110 million and reported net profit after tax (NPAT) has been revised to \$27 – \$30 million from \$34 – \$41 million. Depreciation and amortisation is estimated to be \$21 million. Underlying NPAT has been revised to \$34 – \$37 million from \$41 – \$48 million.

SKILLED's Managing Director and Chief Executive Officer, Greg Hargrave said that the demand for casual labour and outsourced maintenance services fell dramatically in the third quarter as clients moved rapidly to reduce costs as a consequence of the flagging economy.

"We now expect second half revenue to be around 18% lower than the first half."

"As stated at our half year results in February, business conditions began to soften in November and December. Whilst January is usually a quiet month following the Christmas break, trading did not recover in February. Demand for labour significantly deteriorated in March and these challenging conditions have continued into April. Whilst we had expected a weaker second half, the rapid decline in business conditions is unprecedented in our 44 year history."

OUTLOOK

Mr Hargrave said that it is disappointing that notwithstanding the significant measures already taken to counteract challenging conditions, it was necessary to revise SKILLED's guidance.

"We had anticipated a slower second half, but the decline in business conditions has been more significant than we had expected. Despite reacting quickly to stay ahead of the curve, the decline in revenue over the past three months has necessitated a revision to our earnings guidance. Current trading conditions remain difficult and the short term outlook is uncertain, but the dramatic rate of decline has slowed and we don't expect conditions to deteriorate further."

"We are beginning to see evidence of our clients consolidating their supplier base and migrating to stronger, safer, more sophisticated and capable suppliers. We are working closely with our key clients to manage the challenging environment and provide productivity and workforce solutions. Our continued focus on proactively managing costs and our business structure will ensure that we are well positioned to capitalise on the challenging times ahead. When the economy begins to recover Australian companies will need immediate access to labour and we will be well placed to take advantage of the improvement in trading when it occurs."

CURRENT TRADING CONDITIONS

SKILLED Workforce & Maintenance Services includes SKILLED brand, TESA Mining, Extraman and ATIVO and represents approximately 60% of the Group's revenue. Revenue in Q3 was \$243 million which is 22% lower than the same period last year:

- contraction has occurred across most sectors and regions;
- Far north Queensland and the Hunter Valley have been severely impacted due to a decline in activity from mining clients;
- demand remains steady from large mining clients in Western Australia;
- South East Queensland, South Australia and the Northern Territory have been impacted by reduced activity from general industrial clients;
- industry diversification is providing some insulation with food manufacturing, rail and utilities holding up;
- deferral of plant upgrades and maintenance programs has affected the near term outlook for ATIVO, our maintenance services business;
- beginning to see evidence of clients consolidating their supplier base and leakage from smaller, weaker competitors;
- good opportunities are being pursued in rail, utilities and infrastructure

Other Brands comprises OMS, Swan Contract Personnel, Excelior, Origin Healthcare, Mosaic and PeopleCo. Revenue in Q3 was \$213 million which is 22% higher than the same period last year principally due to stronger contributions from OMS and Swan Contract Personnel:

- OMS, our offshore oil and gas business has continued to perform strongly and the outlook is positive for the remainder of this year and into the next financial year;
- Swan Contract Personnel has continued to deliver strong revenues but we expect to see some contraction in the coming months;
- Excelior, our call centre business has continued to perform well but we expect slower conditions in the next few months as some long term contracts begin to wind down;
- Mosaic our white collar staffing business and PeopleCo our generalist staffing business supplying the small to medium enterprise (SME) market have both been impacted by the significant decline in demand for permanent placement services;
- Origin Healthcare has also experienced reduced demand particularly in the acute nursing sector

DEBT

Close management of working capital and an ongoing focus on reducing debt has improved the debt position. Debt is now expected to be around \$260 to \$280 million at 30 June 2009, down from \$299 million at 31 December 2008.

CONTINUED COST MANAGEMENT FOCUS

Since April 2008, management has acted swiftly and decisively to minimise the impact of the weakening economic climate by continuing to focus on reducing costs. To date, annualised cost savings of approximately \$20 million have been achieved by closing or merging branches, reducing staff head count, reducing discretionary spending such as marketing and sponsorship and deferring some business projects.

Executive staff and the Board reduced their salary by 10% from 1 March. In addition, from 1 April all other office based staff temporarily reduced their working hours and salary by 10% for a six month period when business and economic conditions will be reassessed. These measures will achieve cost savings of around \$3 million for the 2008/09 financial year.

For further information please contact:
Susan Frost, Group Manager Corporate Affairs
Tel: 03 8646 6417 / 0414 921 010

About SKILLED Group

SKILLED Group Limited is Australia and New Zealand's leading provider of labour hire and staffing services. SKILLED Group has over 160 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, call centre and healthcare sectors. SKILLED is listed on the Australian Stock Exchange (ASX: SKE) and has approximately 6,200 shareholders, predominantly in Australia.