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Skilled Group Limited
850 Whitehorse Road
Box Hill, Victoria 3128

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Skilled Group Limited reported net profit of \$12.3 million for the half year ended December 2005, a 75 percent increase on the previous corresponding period on revenue growth of 13.7 percent to \$487 million. What were the key drivers behind the revenue and profit growth?

CEO Greg Hargrave

The positive momentum we established in our core business of staffing services last year continued into the first half year this year reflecting the benefits of our more focused strategy. We're in a much stronger position now our divestment program is behind us. We've realigned and strengthened our management team and are seeking to take full advantage of the market opportunities.

The mining and resources sectors have been particularly buoyant and that's driving our strong performance, particularly in Western Australia. Our performance has been boosted by the Extraman acquisition. In Victoria we've also benefited from strong activity in infrastructure.

Improving our penetration of our existing markets has been a prime aim and it's clear we're getting a greater share of our key clients' spend on outsourced labour. The strength of our core staffing services business, and particularly the Skilled brand, and our commitment to Occupational Health and Safety means we're able to attract and retain workers. We're also able to work with the type of clients who value this approach.

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The Skilled brand increased revenue 15.7 percent to \$365 million and EBITDA 32.4 percent to \$18.2 million. The Skilled brand EBITDA margin rose to 5.0 percent from 4.4 percent in the December 2004 half year. Is this higher margin sustainable?

CEO Greg Hargrave

The lift in our margin on a strong improvement in sales is particularly pleasing as it is consistent with our strategy to improve penetration of existing markets and to provide deeper value solutions. We've been able to deliver the margin improvement due to the higher sales, market share gains and tight cost control. The better margin is sustainable as we grow our current brands, our new brands and our acquisitions.

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Recent economic statistics have shown slowing consumer spending and falling activity in the house building sector, notably in NSW. Is this impacting demand for supplementary labour supplied by Skilled? Are there any soft spots?

CEO Greg Hargrave

Within our business the pick-up in infrastructure spending and business investment has offset any slow down in the building sector. We're seeing the strongest growth in those parts of the business driven by the mining and resources boom. We've been focusing our business on these opportunities for more than four years. We now have a very strong focus on the mining and resources sector. Extraman has been an important acquisition.

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Is the Extraman acquisition meeting your pre acquisition expectations?

CEO Greg Hargrave

The business is focused on the mining and resource sector and it's benefiting from the strength of that sector. It has broadened our exposure to the resource rich states and is performing as we expected. The acquisition is on track to add positively to our earnings per share.

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Given your low gearing of debt to debt plus equity of 16.5 percent, will your growth strategy continue to include acquisitions and what is your acquisition criteria?

CEO Greg Hargrave

Acquisitions are most definitely part of our strategy. Last year's divestment program was designed to refocus on our core staffing services business. The divestment proceeds also assisted to build balance sheet strength. Acquisitions will build our business in one of two ways. They will either be aligned to our current vertical markets and customer segments, as illustrated by the Extraman business which complements our Skilled brand in the resources segment, or alternatively, an acquisition may be aligned to our core labour services business, but in a new vertical market or customer segment.

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Origin Healthcare's revenue of \$40.6 million was 15.3 percent higher in the December half year compared with the first half of FY05, however you've said that most of this growth reflected the acquisition of Medistaff in January 2005. What is the organic revenue growth of Origin Healthcare and where are the opportunities for this business?

CEO Greg Hargrave

Organic growth in the Origin Healthcare business has been flat and margins have remained stable. This reflects our continuing focus on building strong client relationships and also rationalising our cost base.

Private sector rationalisation within the health segment is currently causing uncertainty in the market which creates both challenges, and more importantly for us, opportunities. We've been impacted directly by the acquisition of Affinity by Ramsay and Healthscope. We've built new relationships with both of these organisations, as well as capitalising on our existing strong relationships, particularly with Ramsay. The outlook for Origin is improving.

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Excelior increased revenue 5.3 percent to \$33.7 million. Can this business maintain positive momentum given the pressures to cut costs within the Telco sector?

CEO Greg Hargrave

Outsourcing has been and will continue to be a very strong trend in the Telco sector. The environment for Excelior remains positive.

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Your dividend payout ratio in the December half of 58 percent is relatively conservative. What is the outlook for your dividend?

CEO Greg Hargrave

It's a 16.7 percent increase on the same period last year and we don't consider that conservative. Our dividend has been held steady for the last two years and we're very pleased with the increase in the December half year to 7 cents per share fully franked from 6 cents. It clearly highlights the Board's confidence in our strategy and the positive prospects for the company. Our objective is to consistently grow our EPS and our dividend. We will pay the maximum dividend considered prudent and our dividend policy is regularly reviewed by the Board.

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In December you increased your EBITDA guidance for FY06 growth to 20 to 25 percent. This seems conservative given your first half results?

CEO Greg Hargrave

We increased our full year guidance only two months ago in December and see no hard evidence that would support another upgrade. We're confident of achieving our guidance target, but recognise there's some uncertainty in the second half which is shorter in terms of working days than the first half and is interrupted by

Easter holidays. We're also uncertain of the impact of the Commonwealth Games on demand for labour, particularly in our largest market, Victoria.

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Thank you, Greg.

For more information about Skilled, visit www.skilled.com.au or call Julie McBeth, Corporate Affairs Manager, on (03) 9924 2390.

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