
Skilled Group interim profit announcement

MEDIA RELEASE

23 February 2005

- Sales up 23% to \$428 million
- Net Profit of \$17.5 million
- Major divestment program now complete
- Strong balance sheet provides capacity for future growth
- Fully franked interim dividend of 6 cents per share

Skilled Group Limited (SKE - formerly Skilled Engineering) Australia's largest staffing services company announced today sales revenue for the first six months of the year was \$428 million, an increase of 23% on the same period last year.

Headline profit (EBITDA – earnings before interest tax depreciation and amortisation) for the six months was \$31.1 million. NPAT was \$17.5 million inclusive of profits from a number of divestments made during the period.

Importantly, EBITDA for Skilled's core business – Managed Labour Services was up 38.5%. Skilled currently has three operations under the umbrella of Managed Labour Service: Workforce Services, Customer Contact Services and Origin Healthcare.

Sales in Workforce Services, which contributed more than 70% of the Group's total revenue, were up 22% to \$315 million. The result was driven by strong demand for tradespeople across Australia in industries such as mining, manufacturing and automotive which are currently experiencing serious skills shortages.

Revenue for Customer Contact Services jumped by 57.8% to \$32 million, while Origin Healthcare, which was acquired 12 months ago, recorded sales of \$35.2 million.

Managing Director and CEO of Skilled Group, Mr Greg Hargrave said the strong result for managed labour services reflects the decision taken last year to rationalise the company's portfolio through a series of divestments and acquisitions.* (see appendix 1).

"It has been a period of transition for SKILLED, the core business continues to produce solid results as evidenced by the strong revenue growth. The divestment of our Power, Communications and Yallourn Mechanical Workshop businesses has allowed us to focus on our core competency - managed labour services.

Mr Hargrave said the company would continue to focus on organic growth but its healthy balance sheet enables it to explore any acquisition opportunities.

While the Origin Healthcare result was disappointing, based on expectations given at the time of the acquisition, Mr Hargrave said that Skilled remains confident in the long term strategic attractiveness of the healthcare sector as a key part of Skilled's staffing services business.

“A number of steps, including conducting extensive market research and implementing productivity and management changes, are being taken and we expect to see the benefit of these changes in 2005/06,” he said.

The group’s debt position has been reduced from \$55 million to \$40 million with profit from the sale of divestments used to retire debt. Interest cover over the past 12 months was a very strong 10.6 times.

The directors declared a fully franked interim dividend of 6 cents per share, payable on Wednesday 20 April.

Appendix 1 – Summary of SKILLED Group Divestment and Acquisition announcements

Skilled Communications Services

In July 2004, Skilled announced the divestment of Skilled Communications Services to Service Stream Limited for a price of approximately \$10 million plus and earn out which would add a further \$3million if the expected 2004/2005 EBITDA of \$2.5 million is achieved

Skilled Power Services Business

In September 2004 Skilled Group announced that it had finalised the terms for the sale of its Power business to Abigroup Limited. Net proceeds were expected to be a total of \$16.1 million (based on projected 2004/05 EBITDA of \$3.1 million) with a book profit after tax of \$8.8 million.

Skilled Mechanical Workshops

Skilled announced in November 2004 that it would divest the Skilled Mechanical Workshops business to the Elliott Group of companies. Net proceeds (after collection of all receivables, payment of selling costs and repayment of leases) will be \$1 million. This will result in a small book loss on the sale of \$0.2 million.

Medistaff

Skilled Group Limited announced in January 2005 that it has acquired Medistaff Nursing Agency for \$3.5 million. A further amount payable, based on 2005 earnings, could increase the total acquisition price to a maximum of \$7.5 million.

For further information contact:

Media: Julie McBeth
Corporate Affairs Manager
(03) 9924 2390
0418 992 485

Investors: Ken Bieg
Company Secretary
(03) 9924 2121