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Skilled Group Limited  
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Skilled Group Limited reported EBITDA, excluding divestments of \$34.9 million in FY05. Has demand for your core labour hire services remained strong and are you on track to achieve EBITDA growth guidance of 15 to 20 percent in FY06?

**MD Greg Hargrave**

Demand has been strong across our businesses in the first half and we're expecting continued strength in our markets for the remainder of the financial year. As a consequence we're now expecting growth in operating EBITDA of 20 to 25 percent above last year's \$34.9 million.

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What segments of the economy are driving demand for your services and what is the trend in your margins?

**MD Greg Hargrave**

Demand has been robust across most sectors of our businesses. There's been particular strength in the mining and resources sector, transport, logistics and infrastructure.

Margin growth has been a continuing focus of our management team and we've seen EBITDA margin growth in the first half. In FY05, excluding profit on divestments, our EBITDA to revenue was 4.2 percent and we expect an improvement in FY06.

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It's now close to six months since you acquired the Perth based labour hire business, Extraman, which generated revenue of approximately \$70 million in FY05. Is Extraman performing in line with the expectations that underpinned the \$20 million estimated acquisition price?

**MD Greg Hargrave**

Yes, reflecting its strong exposure to the mining and resources sector, Extraman is performing well. It's in line with our pre-acquisition expectations and we expect this to continue.

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Nursing staff now accounts for only seven percent of your labour mix. Over FY05 you restructured Origin Healthcare with major management changes and entered the Aged Care sector. Are results beginning to reflect the changes?

**MD Greg Hargrave**

Yes, Origin's results are improving and showing the benefit of our restructuring, although it still has a way to go before it meets our longer term performance targets.

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In FY05 you sold all non-core businesses except SEM. Will the asset sales impact your approach to segment reporting?

**MD Greg Hargrave**

A key strategic reason for the divestments of FY05 was to narrow our portfolio to focus on businesses within the staffing services industry. These staffing businesses were previously reported under the broad heading of Managed Labour Services. The businesses divested, Communications, Power Service and Yallourn Mechanical Workshops, as well as SEM Fire and Rescue, were reported under the Infrastructure Services segment. All our businesses are now in the Staffing Services industry or what was previously known as Managed Labour Services.

In FY06 we plan to report two segments again. The largest will be our Skilled brand, which is our traditional core outsourced labour business and accounts for about 75 percent of revenue. We'll report as a separate segment, the combined results of our other brands, Excelior, Origin, Extraman and SEM Fire and Rescue.

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You are the largest supplier of supplementary labour hire and maintenance services in an economy that is experiencing a shortage of skilled workers. Is the skills shortage a short term phenomenon and how are you addressing the issue?

**MD Greg Hargrave**

The lack of skilled workers is not a new trend. The ageing population and the change in Australia's demographics due to the baby boomer generation will impact us for many years to come.

It's positive for us as in a more competitive environment our clients and smaller competitors are finding it increasingly difficult to recruit the best people. With the strength of our brand and our ability to source skilled workers, these customers and also skilled employees, are turning to us to meet more of their employment requirements. We're doing more business with existing customers and also writing new business.

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Will the changes to industrial relations legislation have any impact on the underlying demand for supplementary labour hire?

**MD Greg Hargrave**

While the changes to the Act have gone through, there remain regulations to be finalised. Our current understanding is that the changes will give companies more employment options than previously. We believe this increased flexibility will create more opportunities for workforce outsourcing, and as the market leader, more placements for Skilled Group.

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Thank you Greg.

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For more information about Skilled, visit [www.skilled.com.au](http://www.skilled.com.au) or call Julie McBeth on (03) 9924 2390 or 0418 992 485.

For previous Open Briefings with Skilled Group Limited, or to receive future Open Briefings by e-mail, please visit [www.corporatefile.com.au](http://www.corporatefile.com.au).

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