

TELSTRA ACCESS NETWORK CONTRACTS

There is speculation in today's media that Skilled Engineering has been unsuccessful with its tender bid for the Telstra Access Network contracts. These contracts provided sales revenue of approximately \$50 million for the 2002/03 financial year.

Telstra has not advised the outcome of the process and have not given any indication as to when they will announce the results of the tender. Skilled is therefore unable to comment on the accuracy of the media speculation in respect to the outcome of the tender process.

At the Annual General Meeting held on 28 October, the Chairman provided a commentary on the outlook for 2003/04 . A complete version of this was provided to ASX on 28 October and is available on the Skilled web-site. Relevant excerpts are as follows:

- There has been a recent favorable judgement by the High Court in a case dealing with superannuation on overtime earnings for casual employees. Based on an earlier Federal Court decision, we had made provisions of some \$2.5 million as at 30 June 2003. The High Court decision will mean that we expect to be able to reverse the \$2.5 million provision and will result in a non-recurring profit being reported for this current financial year.
- As previously reported, the Communications division business model has been adjusted so that it is now based on project management and the management of a largely subcontracted workforce. This provides us with the opportunity to increase or decrease our operations to cope with fluctuations in workflows.
- If we were to lose all of the Telstra Access Network contract work, then we would incur some closedown expenses of a non-recurring nature which would impact on profit. However, these would be more than offset by the non-recurring profit resulting from the decision in the High Court case.
- In this scenario, we would expect that the earnings outlook for 2003/04 would be in line with the record 2002/03 result (excluding the 2002/03 non-recurring item) should we lose all of the Access Network contract work.

Further information will be provided to the ASX when it becomes available.

FURTHER INFORMATION: Please contact Ken Bieg (03) 9924 2424