SALMAT - TRADING OUTLOOK PROVIDED AT AGM

22 October 2003

Salmat Limited advises that the attached addresses were made at it's Inaugural Annual General Meeting today by the Chairman, Mr Richard Lee and the Joint Managing Directors, Mr Peter Mattick and Mr Philip Salter.

Speaking at the Company's first annual general meeting in Sydney today, the Chairman Richard Lee said:

"Salmat has started the year well.

The key indicators for the first three months of this financial year are up on last year and broadly in line with our expectations.

However I caution that it is still too early in the current year to makes projections for the full year trading result with certainty.

Nevertheless, while we expect conditions to remain competitive, we currently plan to achieve low double-digit sales growth for the first half.

We anticipate the net profit for the first half will exceed the previous corresponding half.

However, the net profit growth rate in the second half is likely to exceed that of the first half, mainly due to the following factors.

- costs related to being a public company were not incurred in the first half last year.
- contributions resulting from the establishment of the new Bundaberg and Wagga call centres will be less in the first half, as these operations ramp up to full capacity and efficiency.
- additional costs associated with the expansion of the Philippines call centre will be expensed in the first half."

Addressing shareholders Joint Managing Directors, Phil Salter and Peter Mattick said 2003 had been a great year for Salmat.

"We delivered on our commitments – exceeding sales, profit and dividend prospectus forecasts".

Salmat, Australia's leading customer contact and data management company, listed on the ASX on 2 December 2002.

For further information:

Richard Lee 612 9928 6500
Chairman

Peter Mattick & Phil Salter 612 9928 6782
Joint Managing Directors

SALMAT

Annual General Meeting of

Salmat Limited

Address by

Chairman, Mr Richard Lee

22 October 2003

Venue: Sofitel Wentworth
Phillip Street
Sydney

[SLIDE 1 – title slide]

Good morning

My name is Richard Lee and I will be chairing this morning's meeting.

On behalf of the board of Salmat I would like sincerely to welcome you to this first Annual General Meeting of our newly listed company.

As there is a quorum present I now declare the meeting officially open.

Let me start by saying how honoured I was to be asked to chair Salmat.

It really is a great company and is a true Australian success story.

While the company has been operating for 24 years, December 2nd, 2002 marked the beginning of a new era for Salmat.

Listing on the Australian Stock Exchange allowed Salmat employees and individual and institutional investors to become owners of the company and share in its growth.

The capital raised through the float and the access to capital markets provided through the listing will allow Salmat to take advantage of further opportunities to grow profitably.

On behalf of the Directors and shareholders, I want to thank all those who worked so hard to take Salmat public.

What I am most pleased about is that I am able to report to you today that we have met the commitments we made to you in our prospectus.

There are five main items on the agenda today.

First of all I will give you a brief overview of our trading results for the 2003 financial year.

Then I will ask Peter Mattick and Phil Salter, our Joint Managing Directors to talk about the businesses in more detail and outline our plans for the year ahead.

I will then talk to you about the outlook for the current financial year.

And finally I will ask you to consider and vote on the resolutions contained in the Notice of Meeting.

Ladies and gentlemen, the Notice of Meeting dated the 19th September 2003 was mailed to all shareholders:

Shortly thereafter, a copy of the Annual Report was mailed to those shareholders so requesting.

All documents relevant to this meeting have been lodged with the ASX and posted on our website.

I propose that the Notice of Meeting be taken as read.

The Annual Report contains the Financial Statements for the year ended 30 June 2003 and the Reports of Directors and the Auditors for the year.

[SLIDE 2 – Strong results]

As you can see, on any measure, we had an exceptional year in what was a very competitive environment. Sales, profit and cash flow were strong.

[SLIDE 3 – Results vs prospectus]

And Salmat met or exceeded all its prospectus forecasts.

If we look at the financial performance for the year compared to the prospectus forecast you can see that

Sales were up 3.6 per cent on the prospectus forecast to $285 million and 16.2% up on the previous year

More importantly earnings before interest and tax were up 7.6 per cent compared with forecast, and

Net profit after tax was up 3.8 per cent on our prospectus predictions.

Shareholders will be pleased to see the dividend at 8.5 cents a share fully franked. This is also up significantly on the forecast in the prospectus.

These financial results are the outcome of good management and good businesses.

We believe Salmat has strong growth prospects and considerable capacity to create value for shareholders.

Salmat is now Australia's largest direct media company.

We are the only company in Australia to provide an integrated platform of customer contact services.

It is a company with 24 years experience in customer communications, a commitment to research, development and innovation and has a unique culture.

The culture was one of the things that attracted me to Salmat.

Salmat people have a strong sense of pride in, and ownership of, this company.

They treat the company and its customers personally and they act in the long term interest of all shareholders.

The staff are committed and dedicated, in fact, nine members of the senior management team have spent an average of 15 years with Salmat.

The top 26 members of the team have an average of 12 years with the company.

As you will hear from Peter and Phil, this stability of management experience has translated into long term customer relationships, an intimate understanding of Salmat's businesses and consistent earnings.

As a public company Salmat will continue to build on that platform.

Just as Salmat is a leader in its business, your new board believes Salmat should be a leader in corporate governance.

You will see from our corporate governance statement in the annual report that our corporate governance practices are largely consistent with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March this year.

We have commissioned an independent review of our risk management processes and exposures.

This review will result in some modifications to our enterprise risk management process.

Our website, salmat.com.au now contains a Governance section where shareholders can review full particulars of our governance policies and Board charters.

This will be updated for any changes resulting from the independent review.

Executive compensation is a significant issue in corporate Australia and around the world.

Our compensation system is results based with a significant proportion of an executive's compensation at risk and subject to well defined key performance indicators.

We encourage all our employees to own shares in the company and I am particularly pleased that so many of our employees took up the share offer at the time of the float.

I am delighted to report that more than 42% of Salmat's 2,000 employees are shareholders.

In talking about the outlook for the coming year I want to make the point that the economic environment has been relatively benign in Australia but, across some of Asian countries in which we operate, it remains challenging.

Against that background however we remain confident.

Salmat has started the year well.

The key indicators for the first three months of this financial year are up on last year and broadly in line with our expectations.

However I caution that it is still too early in the current year to makes projections for the full year trading result with certainty.

Nevertheless, while we expect conditions to remain competitive, we currently plan to achieve low double-digit sales growth for the first half.

We anticipate the net profit for the first half will exceed the previous corresponding half.

However, the net profit growth rate in the second half is likely to exceed that of the first half, mainly due to the following factors.

- costs related to being a public company were not incurred in the first half last year.

- contributions resulting from the establishment of the new Bundaberg and Wagga call centres will be less in the first half, as these operations ramp up to full capacity and efficiency.

- additional costs associated with the expansion of the Philippines call centre will be expensed in the first half.

At Salmat we are focused on improving our shareholder returns and believe that ultimately delivering on these commitments will be recognised by the financial markets.

Already we have seen how the financial markets have responded to our delivery of prospectus commitments.

[SLIDE 4 – Share price]

Our share price has significantly outperformed the media index and in fact, the ASX top 200 as well.

This reflects the markets better understanding of our business and our performance.

Your new company, Salmat, is strongly positioned for growth.

And we are confident as a board that we can grow sales, market share and profitability.

SALMAT

Annual General Meeting of

Salmat Limited

Address by

Joint Managing Directors:
Mr Peter Mattick
&
Mr Philip Salter

22 October 2003

Venue: Sofitel Wentworth
Phillip Street
Sydney

[SLIDE 5 – Business review]

We are delighted to have the opportunity to update you on our business.

The float of Salmat and today's meeting really represents the start of a new era for us and for Salmat.

This morning, Peter and I want to talk to you about the businesses that make up Salmat and our strategy for each of those businesses.

Salmat is not a household name although our profile has risen since listing in December and we have been around for 24 years.

[SLIDE 6 - Name behind the names]

Far more recognisable are the names of our customers - which include Australia's largest corporations and government departments. Many of these are clients we have had relationships with for more than 10 years and up to 24 years - and maintaining long term relationships with our quality customer base remains a key factor to our success.

[SLIDE 7 – Map of operations]

We have more than 2000 people working for Salmat in every state of Australia, New Zealand and Asia across our portfolio of businesses.
We have three main businesses.
- targeting and delivery
- voice
And business process outsourcing, or as well call it BPO

Targeting and delivery is our largest and most profitable business; voice is our newest and highest growth potential business. BPO continues to produce solid results and has continuing growth prospects.

[SLIDE 8 – Solid earnings across the business]

If we look at the results by business you can see the strength of the portfolio.

Targeting & delivery's excellent result was driven by 16% increase in revenues and margins.

Business process outsourcing in Australia and Asia maintained sales and profits in a time of significant competitive pressure.

Voice has been an investment in effectively a start-up business. The turnaround reflects:

- Growth in our existing business and significant new business including investment in two new regional call centres in Bundaberg and Wagga for Telstra.

In our Philippines voice joint venture we have partnered with Service Zone, a leading U.S. based call centre operator. Together we are sourcing new inbound business from the United States. This relationship has already led to increased sales.

Peter and I would now like to talk about each business in a little more detail and give you a feel for the markets we operate in, the competitive environment and our strategies for developing each business. I'll hand over to Peter to talk about targeting and delivery.

[SLIDE 9 – Snapshot – targeting & delivery]

Thank you Phil

We are the market leader in customer targeting and delivery with 3.2 billion advertising catalogues delivered in Australia & NZ last year.

- This represents close to a 50% market share
- Our customers include some of Australia's largest retailers and increasingly companies that haven't traditionally used catalogues to advertise to customers
- Our products and skills are world class and we spend a lot of time maintaining and improving our technology.

Our business is all about distributing advertising material - we don't get involved in printing

Whilst it sounds a simple business - there is considerable technology in the systems and network. For instance, we've developed sophisticated targeting tools to help marketers achieve the best returns for their advertising dollar.

The media industry has become highly fragmented with more radio stations, magazines and TV channels - than ever before - all competing for the advertising dollar. Marketers and advertisers want to ensure they are efficient and effective in their advertising spend.

What we can offer is access to virtually all homes in Australia and New Zealand .

With the ability to dissect those homes by a range of socio-economic and demographic profiles.

This capability has attracted many new customers, from outside our traditional retail base. We have new customers such as the banking, telecommunications and the motor industry using targeted campaigns. For example, GMH launched their Monaro last year through a targeted campaign.

[SLIDE 10 – Mapping allows targeted approach]

One example here of our mapping tool shows an area which has been profiled to show homes and their varying likelihood of purchasing a new in the next 12 months - quite useful if you are planning a new vehicle launch or a sales campaign.

Our new data retrieval and targeting products make talking to customers on a one to one basis easier. By segmenting a database, you can analyse factors such as lifestyle, economic and socio-economic and demographic profiling and customer profitability to provide a targeted distribution with improved response and lower wastage. As well advertising and marketing executives can clearly track the effectiveness of their campaigns.

Our traditional retailing clients are using our tools to increase the frequency of their advertising catalogues and target customers more closely with product offerings. .

[SLIDE 11 - 14% volume growth]

As you can see from the chart, our catalogue distribution volumes have been growing at an average rate of 14% annually.
This augurs well for our targeting and delivery business.

[SLIDE 12 - Targeting and delivery – key strategies]

Our key strategies for targeting & delivery are centred on growing our market and our market share. We will do this by

- Introducing non-traditional customers to the medium; and
- Expanding and improving our targeting and data products

- Winning more of the traditional advertising spend
- We will look at acquisitions that fit our criteria

We think there's still plenty of growth to come.

[SLIDE 13 – Distribution growth potential]

You can see from the European experience - there is still considerable potential – with the Netherlands distributing 28 items per week - 40% more than we do, and Austria, 25 items per week - 25% more.

In terms of outlook, we anticipate continuing growth from this business

I will hand back to Phil who will talk to you about our voice business.

[SLIDE 14 – snapshot voice]

In voice, our newest business, we are developing economies of scale which will make us more competitive.

Our skill is in managing the call centre environment, the people and the technology. This is reflected in our new products and the introduction of our lower cost model with regional call centres in Australia and the Philippines.

Salmat is now the largest Australian-owned call centre provider, with approximately 600 seats across five call centres with approximately 8% market share - although the market remains fragmented and competitive.

We believe there is plenty of opportunity and signs that organisations are starting to better understand the value provided by outsourced call centres. We are well placed to benefit from this opportunity.

Let me give you some perspective on the potential from the international call centre market.

The U.S. market is far more advanced than our market in terms of outsourcing call centre work with approximately five million outsourced seats. However, they started much earlier - with companies setting up in the 80's and really expanding in the 90's. From a strategic viewpoint, U.S. companies have embraced the value provided by outsourced call centres. In a recent survey, when questioned on the strategic importance of outsourced call centres 71% of U.S. executives surveyed regarded these as being critical to improving the quality of customer service, with 68% also seeing them as being critical to reducing customer service costs.

[SLIDE 15 – Australian market]

The majority of Australia's estimated 100,000 call centre seats are still "in-house". So, current outsourcing levels of less than 10% really are only the "tip of the iceberg".

Australian companies have not yet made the leap that US companies have.

Over time, Australian corporates will look to improve the quality of service to their customer base, and to reduce their costs. We believe a move towards outsourced call centres will come, following the U.S. trend.

As the Salmat voice business grows and matures, we will be looking to achieve the same market penetration as the U.S. in the Australian market. To do this, we will need to continue to improve both efficiency and scale.

[SLIDE 16 – Salmat expanding inbound]

Call centre activities can be separated into outbound & inbound services.

Outbound services include -

- Telemarketing
- Campaign management
- Float services

Inbound services include -

- Customer care (CRM) - billing enquiries
- Help desk support
- After hours
- Float services

Within the industry, there is a definite trend towards the provision of inbound services.

Two years ago, inbound work represented approximately 41% of Salmat's call centre revenues. Today it is around 69%, and we expect this trend to continue. For Salmat, this means improved stability of earnings and prospects for price and volume growth.

In December '02, we secured our largest ever voice contract with Telstra retail. Importantly this is inbound work and should boost our revenues by approximately $10m on an annual basis. We now have a lower cost regional model with 300 seats in Bundaberg and Wagga

And we are encouraged by the very early results from these centres

The other major development in our voice business is our joint venture with Service Zone, in the Philippines. The Philippines is considered one of the world's most efficient providers of quality call centres – and Service Zone has enabled the business to source significant new inbound business from US markets.

Our sales have increased from $1.4m to $8.2m at June 03 and the number of seats was expanded from 217 to 530.

Strategically, this is now a very different business to a year ago.
Since 30 June, we have further expanded the business, driven by customer contracts, and now have 1,000 seats in operation - with approx 70% dedicated to inbound work.

Additional funding for this growth of between $2-3 million is expected in the first half.

[SLIDE 17 – Strategies - voice]

Our key voice strategies are:

- Ensuring our new Wagga and Bundaberg call centres deliver their performance and service commitments ;
- Increasing our mix of inbound work
- Using our group capabilities to provide solutions for customers
- And in the Philippines, we will continue to develop scale
- We will look at acquisitions that meet our criteria
- We will develop new products that service our market

In both our voice businesses we expect to turn EBITDA positive during the second half of 2003 / 04.

Finally Peter will talk about Business Process Outsourcing or BPO business and sum up

[SLIDE 18 – Snapshot BPO]

- We're the market leader in data and archival management, digital printing and mailing

- We produce the bills, bank statements, credit card statements and direct marketing messages for companies like Optus, CBA, NAB, and St George - to name a few

- We operate nationally in Australia and in Hong Kong, Taiwan and Philippines

Our strength is in our ability to add value to our clients through technology – we are leaders in analytics, storage and segmentation of data.

The business process outsourcing market has been very competitive in the past few years driven by a slowdown in corporate mergers and acquisitions. This has caused pricing pressures and market consolidation.

But we expect market conditions to gradually improve as corporate activity picks up.

[SLIDE 19 – Value proposition]

Our clients include blue chip Australian companies and government departments – many of whom have been with us for between 10 and 24 years .

Our strengths in this business lie in our unique data management and technological capability. It gives us the skills and systems to archive information, we can then retrieve it, update it and present it in the format customers require – either on paper in the form of bills, through email or electronic payment. As well our ability to segment, profile and target customers gives our clients a competitive edge.

This allows our clients to communicate on a one to one basis with their customers.

[SLIDE 20 – BPO strategies]

Our key Business Process Outsourcing strategies are:

- Continuing to grow the market and our market share
- Promoting and cross selling our full range of products and services across our extensive customer base;
- we will also continue to develop and promote new products, particularly in the higher margin data area; and
- Our costs and efficiency will continue to be a focus and we will look to make capital investments where they help reduce our cost of operations.
- We will continue to develop our customer base in Asia, particularly HK and the Philippines where we are still too reliant on a few customers
- We will look at acquisitions that fit our criteria
- For FY 04 in Australia we anticipate volume to improve with pricing pressures stabilising. In Asia we see a slow and continuing build up of momentum

[SLIDE 21 – Salmat's growth potential]

As a whole, we believe Salmat has a unique growth platform. Our over-riding objective is consistent, long term growth in returns for shareholders. There are three important parts to our platform.

The first is that we are positioned well in growth industries.

The second is that our people feel a real sense of ownership about Salmat. They treat the business like their own. That means that the interests of employees, management and shareholders are aligned.

Finally we are in a strong financial position. We have solid cashflows, no debt and unutilised debt facilities. That means we can take advantage of acquisition and expansion opportunities as they arise. We have the experience of integrating new companies into Salmat that means we can undertake acquisitions whilst minimising risk.

[SLIDE 22 – sum up]

To sum up:
This has been a great first year for Salmat as a public company. We have delivered on our commitments – exceeding sales, profit and dividend forecasts.

Our strong results reflect the benefits of our businesses and the strength and experience of our management team.

While we are only three months into the 04 financial year, we have started the year strongly

Our focus is on continuing to grow our businesses and to increase shareholder returns over the long term.

Thank you for your interest in the company.