SALMAT

25 November 2005

Australian Stock Exchange
20 Bridge Street
Sydney NSW 2000

Re: Salmat Annual General Meeting

Dear Sirs,

Salmat Limited advises that the attached addresses were made at its 3rd Annual General Meeting today by the Chairman, Mr Richard Lee and the Joint Managing Directors, Mr Peter Mattick and Mr Philip Salter.

Yours sincerely,

Stephen Bardwell
Company Secretary

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Slide 1 - Introduction

Salmat Limited

Chairman's speech

2005 was another successful year for Salmat. Our financial performance was strong, we achieved our strategic goals and we made the most significant acquisition in the company's history – SalesForce.

Slide 2 – Results Summary

I am pleased to report that our 2005 after-tax profit of $27.1 million was up 29.4 per cent from the previous year.

Earnings per share also grew by 29.4 per cent to 23.3 cents, and we increased dividends by 29.2 per cent to 15.5 cents fully franked per share.

Slide 3 – Results Summary

The company strengthened its position during the year as Australia's leading customer communication group. Our three businesses all grew organically and, helped by acquisitions, the group's sales revenue increased by 24.7 per cent to $407.5 million.

Slide 4 – Business Mix Total Revenues

Over the past few years we have been diversifying our business, broadening our service offering, deepening our customer and revenue base through building our Contact Centre business. This business has grown from being 8% of revenues in 2003 to 24% in 2005. And if we annualise the revenue from the SalesForce acquisition this proportion would have been 34%.

Operating cash flow was strong, up 13.9 per cent to $31.2 million.

Our balance sheet is also strong. Net debt at 30 June was $52.6 million, representing a debt:equity ratio of 56.6 per cent – a level with which we are comfortable in view of our cash flow and 21X annualised interest cover.

The return on capital was 33 per cent – as expected following our acquisitions, this was lower than the previous year, but still impressive.

Slide 5 – The Strategic Goals We Achieved

On the strategic front, we made good progress towards our key goals.

Total shareholder return for the year was 30.9 per cent, which, I am sure you will agree, was an excellent result.

We maintained the market leadership of our Targeted Media and Business Process Outsourcing, or BPO, businesses with a number of small acquisitions complementing organic growth and new contract wins in both businesses.

And the acquisition of SalesForce in January made our Contact Centres business the market leader in this sector too. Contact Centres now moved from a “proving the profitability model” stage to a genuine contributor to future growth with considerable potential for value enhancement through cross marketing.

All three businesses increased their investment in new technology to enhance products and services, as Phil Salter and Peter Mattick will outline later in the meeting.

And we also made selected acquisitions that complement our existing operations. In addition to SalesForce, in April this year we acquired the NSW Government Printing Service which expanded BPO's product range to include digital print-on-demand services.

Slide 6 – Our Goals for 2005/06

Not surprisingly, our key strategic goals for the current year are largely unchanged. They are based on customer service, growth and shareholder return, with our overriding goal of delivering sustainable growth.

We have a strong base on which to continue to build, with competitive advantages which provide high barriers to entry. These include leadership in all our key markets; world-leading intellectual property and technology; a strong senior management team with an average of 15 years with the company; and a blue-chip customer base, with six of Australia's top ten companies and many relationships going back more than ten years.

Our people, too, are a significant strength. There are now 3,362 of them at 23 sites in Australia, New Zealand and Asia, and to acknowledge their contribution we have shown their first names on the introductory pages of the annual report. I am sure you would like to join me in thanking them.

We try to ensure our people enjoy their time at Salmat, and we recognise performance and encourage ideas. SalesForce has a similar culture, with exceptional people management skills, and I would like to congratulate the SalesForce team on winning the prestigious Hewitt Best Employer Award last month for the second successive year. This was a great achievement.

Trust is critical to our business, and your board is committed to maintaining the highest standards of corporate governance, including safety in the workplace and environmental responsibility. Our policies and procedures are outlined in detail on pages 26 to 32 of the annual report.

I am pleased to welcome Ian Elliot to his first Salmat annual general meeting since he joined the board in January 2005. Ian is an experienced company director and, as a former chairman and CEO of George Paterson, brings us valuable experience in sales and marketing, and the advertising industry in particular. You are being invited to approve his election to the board.

You will also be invited to vote on adoption of the company's remuneration report, as detailed on pages 36 to 40 of the annual report. Ian Elliot, as chairman of the remuneration and compensation committee, will present the report for any discussion.

In ending, I would like to congratulate the management team on another successful year. Their achievements have strengthened the company and considerably enhanced its potential. Salmat is well positioned to continue its impressive growth record as Australia's leader in customer communications.

I will now ask Phil and Peter to provide their update on the business and their focus for 2006.

Salmat Limited

Joint managing directors' speeches

PHIL SALTER

Thank you Rick, and good morning ladies and gentlemen.

I am going to review key result highlights of our Targeted Media and BPO businesses and their focus for the current year, and will then hand over to Peter to talk about Contact Centres and give an overall update on trading outlook.

Slide 7 – Targeted Media

Targeted Media passed another milestone in 2005, for the first time delivering more than four billion advertising catalogues to homes across Australia and New Zealand. This was an increase of 7.7 per cent. Volume has grown in every one of our 26 years, and whilst some years are much stronger than others, the compound average growth rate over the past 12 years has been 12.5 per cent, with an average of 13.5 per cent over the past four years. This is higher than growth in overall retail expenditure.

We continued to broaden our customer base, as more advertisers appreciated the cost-effectiveness of Targeted Media with 51% of new business coming from sectors which have not been significant users of the medium in the past and 80% coming through advertising agencies. Sales revenue increased by 9.3 per cent to $169 million. Revenue would have been higher had external printers not had capacity constraints.

Earnings before interest, tax and amortisation, or EBITA, increased by 3.7 per cent to a record $36 million. Margins were affected by higher delivery and handling costs and particularly fuel costs in the second half. We are looking to restore previous margin levels as we seek to pass on the additional fuel costs as contracts are renewed.

Our main objective for the current year continues to be expanding Targeted Media's market and broadening our customer base. We are working to achieve this in a number of ways. Positioning this business as part of mainstream media, to be considered alongside traditional “above the line” media, as an integral part of any advertising campaign is key. This means we must strengthen our relationships with advertising agencies, and provide them with easier access to our technology. Another avenue for broadening our market reach is via our local sales strategy.

We continue to invest in our technology and products and have recently implemented new software, upgrading our distribution platform to increase productivity and improve customer service.

Slide 8 – Business Process Outsourcing

Now to BPO. This business archives, processes, formats, prints and mails bank and credit card statements and other regular, essential mailings in Australia, Hong Kong, Taiwan and the Philippines. Superior data skills and technology and a total focus on quality enable us to provide a cost-effective, high security service.

Total sales revenue increased by 9.0 per cent to $141.3 million. While EBITA, at $13.7 million, was flat, this masked a good performance in Australia in a particularly competitive market.

A highlight of the year was winning a five-year, $40 million contract in February to provide statement processing services to a global credit and charge card company. Our Asian operations, which account for 10 per cent of BPO's total revenue, were key to our selection; and we are processing our customer's statements for more than eleven Asian countries from our facilities in Hong Kong and Taiwan.

This is a relatively mature and very competitive sector. We have increased our revenue consistently, but margins have been under significant pressure, with prices down by between 3 to 5 per cent per annum in each of the past three years. This has flowed through to the major contracts renewed over the last year at significantly lower prices. Our view of this market is that it is in a cycle, which is not sustainable, and ultimately there will have to be rationalisation.

With this in mind our focus is on investing for the future. We are positioning our business to be the market leader with scale advantages, and the best technology, combined with the depth of group financial and resource capability we will be well placed for the inevitable rationalisation in this sector.

Now, I'll hand over to Peter to talk about our Contact Centres business and provide an update on the trading outlook.

Peter Mattick

Thanks Phil.

Slide 9 – Contact Centres

Contact Centres, which is our newest business, was transformed in January through the acquisition of SalesForce, one of Australia's most successful and dynamic call centre and direct sales businesses. Importantly, as the Chairman mentioned, we are now the market leader in this sector, with a strong base on which to build.

In line with our expectations, SalesForce's revenue from its acquisition until 30 June was $53 million and it was earnings per share neutral after goodwill, interest and integration costs.

Overall, the Contact Centres business increased its revenue by 128 per cent to $97.2 million, and EBITA was $3.4 million, compared with an EBITA loss of $1.5 million in 2004.

We believe this business has substantial growth potential. Approximately 12 per cent of call centre work is currently outsourced in Australia, compared with approximately 50 per cent internationally.

An issue that has recently gained publicity is the establishment of a “do not call” register. We respect the rights of individuals to privacy as represented by this issue and will participate actively in our industry’s approach to this issue. However, it does not have a major effect for us as close to 70% of our calls are inbound with customers calling our centres. Of the outbound calls we do make the majority are on behalf of businesses who are contacting their customer base – they are not cold calls.

Contact Centres' current EBITA margin is 3.7 per cent. We are aiming to increase this to 10 per cent over three years, although short-term margin growth may be constrained by the cost of investing in training and facilities for new business. Training each person can take between eight and 13 weeks; and capital expenditure per new seat is between $5,000 and $10,000.

Scale is the key to success in this business, allowing us to invest in superior technology and lift margins. We have recently won contracts, which have tripled the size of our New Zealand business to 300 seats and filled 90 seats in Sydney. Our new business pipeline is the strongest we have ever seen.

SalesForce brought us technology, which we are now implementing across all our seats. This will enable us to increase productivity and improve customer service through intelligent message routing and other features.

ClientLogic, our 49 per cent owned call centre business in the Philippines, is also growing strongly and in the second half opened a new 800-seat call centre. Sales revenue increased by 78.5 per cent to $29.1 million, and the company achieved its first profit, of $2.5 million after tax – a great achievement.

This profit turnaround enabled repayment, ahead of schedule, of $2.3 million of our loans to the business, as well as the release of provisions totalling $5.4 million against our loans.

ClientLogic's customers are major US corporates. Its seats are in use during the night and there are opportunities to use them at other times for markets in different time zones.

Now to the current year.

Slide 10 - Outlook

We take a long-term view of our markets and continually invest in technology and infrastructure, so our businesses are optimally positioned to take advantage of growth opportunities. There is currently a lot of activity in both areas.

On the technology front, we’re rolling out new call centre technology and upgrading all seats to a common platform. Our BPO technology has had a major upgrade with 7 new laser printers and 6 mail inserters across Australia and Asia. And we are in the process of implementing new software business systems in our Targeted Media business – the first major upgrade in more than 10 years.

We have also had three major site relocations since July: a new site at Moorebank for our NSW operations; a new site in Hong Kong for BPO; and a new call centre in Auckland, New Zealand.

All these investments are necessary to manage the growth we have experienced and expect in the future, but they obviously have a material short-term impact on profitability.

On the trading front we are fortunate to have three separate business streams, Targeted Media is tracking in line with our budgets though volumes are still being constrained by the lack of print capacity, particularly in this peak period leading up to Christmas. This capacity issue is a short-term issue, which will be resolved in the second half with additional capacity fully available from a number of printers. We are succeeding in passing on the higher fuel costs which, combined with tight cost controls, will increase margins.

BPO has been particularly active over the last twelve months, investing in new equipment and technology, which will increase capacity and productivity, but will lead to a higher depreciation charge. Costs have been incurred in implementing the new global credit card contract (particularly in Asia), establishing new premises, integrating the NSW Government Printing Service, implementing new technology and redundancies in the mailing area. These first half one off investment costs, are expected to amount to $1.5 million, and come ahead of the financial benefits. Margins will also be significantly impacted by the lower prices on renewal of major customers which have not been offset to the degree expected by productivity improvements. As a result BPO's first half EBITA will be $4.5 million to $5.5 million lower than for the first half of 2005.

In Contact Centres, the integration of SalesForce has gone extremely well and is around 80 per cent complete. We are pleased with the progress of this business and the success in winning new seats. We have added 340 seats since 30 June and our utilisation rate which was 60% at 30 June now stands at over 70%. However, the cost of implementing additional seats in both Australia and New Zealand, upgrading technology and training people to handle new contracts will have a short-term impact on margin growth with margins in the second half expected to be stronger.

For the group, all divisions are experiencing revenue growth and we are expecting a significant increase in first half revenue with growth of around 40%. This is boosted by the inclusion of SalesForce and GPS. Profit after tax for the first half will, however, be $4 million to $5 million lower than the prior year half mainly due to the weaker result from BPO and, due to higher interest costs and a $1 million negative year on year impact of adopting the new International Financial Reporting Standards.

Whilst the first half results will likely disappoint some, we are focused on building and growing our businesses for the long term.

At this stage, and subject to trading conditions, we can say that our profit after tax for the second half will improve over the first half.

We will provide an update on prospects for the full year with our half-year results in February. We expect Targeted Media to benefit from the full availability of print capacity in the second half. Our Contact Centres business should perform to plan as the benefits of new contracts are realised. With BPO we do expect tough conditions as we bed down new contracts and technologies and position this business for long term growth.

In conclusion Salmat has experienced strong growth over its 26-year history. In that time Phil and I have experienced many different cycles as we've grown the business. As has happened in the past, this year represents a reinvestment stage where we are rebuilding our systems and support infrastructure to manage recent and future growth. We are experiencing strong revenue growth, however earnings will, in the short term, reflect the higher costs of our investments. In the longer term Salmat will be a stronger and more profitable company.