

**SALMAT LIMITED**  
**CHAIRMAN'S SPEECH**

2006 WAS A CONSTRUCTIVE YEAR FOR SALMAT. THE GROUP FACED SOME TOUGH MARKET CONDITIONS WHILE WE BEDDED DOWN ACQUISITIONS AND NEW BUSINESS, INVESTED AND RESTRUCTURED FOR THE FUTURE.

ALL BUSINESS UNITS RECORDED SOLID GROWTH IN SALES REVENUES AND THE GROUP'S FULL YEAR REVENUES WERE UP ALMOST 30% TO \$527 MILLION FOR THE YEAR TO 30 JUNE 2006.

**SLIDE 3 – 2006 RESULTS SUMMARY**

WHILST REVENUE GROWTH FOR THE GROUP WAS STRONG, THIS DID NOT ALL FLOW THROUGH TO THE BOTTOM LINE, WITH NET PROFIT OF \$26 MILLION, A DECREASE OF 16% OVER THE 2005 RESULT OF \$31 MILLION. THIS WAS LARGELY DUE TO THE HIGHER COSTS ASSOCIATED WITH BUILDING AND INVESTING IN OUR BUSINESS, A WEAKER BPO RESULT AND THE YEAR ON YEAR IMPACT OF SIGNIFICANT ITEMS. WE ARE ENCOURAGED HOWEVER, THAT OUR UNDERLYING EBITA RESULT WAS 10% AHEAD OF LAST YEAR.

OUR EPS WAS DOWN, LARGELY IN LINE WITH OUR PROFIT AFTER TAX, HOWEVER THE BOARD DEMONSTRATED ITS CONFIDENCE IN THE STRATEGIC POSITIONING OF THE GROUP AND ITS PROSPECTS BY DECLARING A FULLY FRANKED FINAL DIVIDEND OF 9.5 CENTS, UP 5.6% ON THE PREVIOUS YEAR, WHICH WAS PAID ON 3 OCTOBER.

THIS BROUGHT DIVIDENDS FOR THE YEAR TO 16.5 CENTS FULLY FRANKED, AN INCREASE OF 6.5% OVER 2005.

OUR SHARE PRICE PERFORMANCE IN 2006 WAS OBVIOUSLY AFFECTED BY OUR PROFIT PERFORMANCE. HOWEVER, OUR TOTAL SHAREHOLDER RETURN FOR THE 4 YEARS SINCE LISTING IS 107%. A STRONG RETURN BY ANY MEASURE.

#### SLIDE 4 – A MODERN MEDIA COMPANY

SALMAT HAS EVOLVED FROM A LETTERBOX DELIVERY BUSINESS TO A BROAD-BASED MEDIA COMPANY. WE ARE A VERY DIFFERENT COMPANY TODAY THAN WE WERE 27 YEARS AGO. SALMAT IS NOW A SOPHISTICATED GROUP THAT EFFECTIVELY DELIVERS COMMUNICATIONS AT THE RIGHT TIME, TO THE RIGHT PERSON, VIA THE MOST APPROPRIATE MEDIUM. THAT MAY BE VIA PRINT, FACE-TO-

FACE OR CALL CENTRE INTERACTION AND IN SOME CASES UTILISES THE SEAMLESS INTEGRATION OF ALL THREE.

HOWEVER, IT IS THE CUTTING EDGE TOOLS AND TECHNOLOGY WE HAVE DEVELOPED WHICH ENHANCE OUR CUSTOMER CARE SOLUTIONS AND STRENGTHEN OUR CUSTOMER APPEAL. THIS FOCUS ON TECHNOLOGY HAS FAST TRACKED OUR TRANSITION TO A MODERN MEDIA COMPANY.

WE REMAIN COMMITTED TO ORGANIC GROWTH SUPPLEMENTED BY STRATEGIC ACQUISITIONS WHEN OPPORTUNITIES ARISE. OUR THREE SIMILAR SIZED DIVISIONS ARE WORKING CLOSELY TOGETHER TO OFFER OUR CLIENTS VALUE-ADDING CUSTOMER COMMUNICATION SOLUTIONS THAT WILL MAKE THEM MORE PROFITABLE.

KEY TO MANAGING OUR GROWTH PLANS IS A PROGRAM CALLED 'OPTIMISE' – A FULL REVIEW AND RESHAPING OF ALL OUR PROCESSES, SYSTEMS, PRODUCTS AND SERVICES. 'OPTIMISE' IS A LONG TERM INITIATIVE THAT WILL PROVIDE THE NECESSARY TRANSFORMATIONAL CHANGE IN THE BUSINESSES. IT WILL PROVIDE US WITH A PLATFORM FOR CONTINUED SALES AND PROFIT GROWTH ACROSS THE COMPANY.

I AM CONFIDENT THAT SALMAT'S GROWTH OPPORTUNITIES, STRONG BALANCE SHEET AND OUR LONG TERM CLIENT RELATIONSHIPS,

COMBINED WITH A COMMITTED MANAGEMENT TEAM WILL ENSURE OUR CONTINUED GROWTH IN THE YEARS AHEAD.

I WILL NOW ASK PHIL AND PETER TO PROVIDE AN UPDATE ON THE BUSINESSES AND PERFORMANCE.

**SALMAT LIMITED**  
**JOINT MANAGING DIRECTORS' SPEECHES**

*Phil Salter*

THANKS RICK AND GOOD MORNING EVERYONE.

FOR THE NEXT 15 MINUTES OR SO, PETER AND I WILL COVER THE 2006 RESULTS FOR EACH OF OUR THREE DIVISIONS IN A BIT MORE DETAIL AND UPDATE YOU AS MUCH AS WE CAN AT THIS STAGE ON THE ISSUES AND OUTLOOK FACTORS FACING THEM. WE'LL ALSO HEAR FROM PAUL MAGEE, THE MANAGING DIRECTOR OF VECOMMERCE, TO GIVE YOU A QUICK DEMONSTRATION OF THE LATEST WORLD CLASS VOICE TECHNOLOGY THAT WE ARE ADDING TO OUR SALESFORCE BUSINESS. THEN WE'LL HAND BACK TO RICK TO DEAL WITH THE FORMAL BUSINESS OF THE MEETING.

**SLIDE 5 – TARGETED MEDIA**

TARGETED MEDIA HAS BEEN THE BEDROCK OF SALMAT SINCE ITS START 27 YEARS AGO.

IN 2006 WE HAD ANOTHER SOLID YEAR DESPITE A SOFT ADVERTISING MARKET, WITH GROWTH IN VOLUMES, REVENUES AND PROFITS.

REVENUES WERE UP 6.5% TO \$180 MILLION AND EBITA WAS UP 7.5% TO \$38.5 MILLION.

DURING THE YEAR WE MADE SIGNIFICANT PROGRESS IN THE KEY AREAS OF DELIVERABILITY AND TECHNOLOGY.

OUR MULTI-TIERED ACCOUNTABILITY MODEL FOR DISTRIBUTION IS FOCUSED ON PROOF OF DELIVERY AND SPEED TO MARKET. PLEASINGLY, A RECENT INDEPENDENT AUDIT BY MORGAN RESEARCH HAS CONFIRMED THAT OUR MODEL IS ALREADY GENERATING WELL OVER 90% ON TIME DELIVERABILITY FOR INDIVIDUAL CATALOGUES DISTRIBUTED.

WE ALSO IMPROVED OUR TARGETING TOOLS WITH NEW PRODUCT ENHANCEMENTS AIMED AT THE HOME IMPROVEMENT AND RETAIL PROPERTY SECTORS. THESE ENHANCEMENTS WILL IMPROVE TARGETING BASED ON DEMOGRAPHIC INFORMATION SUCH AS SPEND ON RENOVATIONS, DEVELOPMENT APPLICATIONS, AND OTHER LIFESTAGE AND LIFESTYLE VARIABLES.

WE ARE CONFIDENT THAT OUR SERVICE OFFERING AND SOLUTIONS ARE COMPETITIVE AND PROVIDE RESULTS, FLEXIBILITY, INNOVATION AND RESPONSIVENESS TO MEET THE NEEDS OF OUR CUSTOMERS.

THE LOSS OF OUR TARGET, BILO AND COLES SUPERMARKETS CONTRACTS EARLIER IN THE YEAR WAS A DISAPPOINTMENT, AND THE COLES SUPERMARKETS AND BI-LO BRANDS TRANSITIONED FROM US IN JULY. HOWEVER WE HAVE MADE GOOD PROGRESS IN REPLACING THE VOLUMES WITH NEW BUSINESS AND CURRENTLY OUR VOLUMES ARE SLIGHTLY AHEAD OF LAST YEAR.

OVER THE LAST TWO YEARS WE'VE SEEN OUR CATALOGUE INDUSTRY IMPACTED BY PRINT CAPACITY CONSTRAINTS. IT IS PLEASING TO SEE THIS SITUATION EASING FOLLOWING SUBSTANTIAL NEW INVESTMENT BY A NUMBER OF PRINTERS. WE EXPECT THAT OVER TIME, THE PRESSURE TO FILL THOSE NEW PRESSES WILL PROVIDE A SLOW STIMULUS FOR ADDITIONAL CATALOGUE WORK. THE ADVERTISING MARKET WAS RELATIVELY SOFT LAST YEAR AND WE CURRENTLY SEE NO SIGN OF ANY CHANGE TO THAT OUTLOOK.

AS WE'VE INDICATED PREVIOUSLY THE MARKET IS CURRENTLY COMPETITIVE AND PRICING IS LIKELY TO SHOW SOME SIGNS OF THIS AS NEW BUSINESS IS KEENLY CONTESTED.

## SLIDE 6 – BUSINESS PROCESS OUTSOURCING

TURNING NOW TO BPO.

LAST YEAR WAS A CHALLENGING YEAR FOR THIS DIVISION. REVENUE GROWTH WAS SOLID WITH SALES UP 18.1% TO \$166.9 MILLION, REFLECTING SOLID UNDERLYING GROWTH AND A FULL YEAR'S CONTRIBUTION FROM THE NSW PRINT-ON-DEMAND BUSINESS. HOWEVER THE EBITA RESULT WAS DISAPPOINTING, DOWN 42.2% TO \$7.8 MILLION, MOSTLY AS A RESULT OF PRICE RESETS ON MAJOR CONTRACT RENEWALS.

THE INDUSTRY ENVIRONMENT OVER THE PAST FOUR YEARS HAS BEEN COMPETITIVE AND WHILST WE'VE MAINTAINED VOLUME GROWTH, PRICING LEVELS HAVE BEEN IMPACTED. THESE APPEAR TO HAVE REACHED A LOW POINT ABOUT A YEAR AGO AND WE ARE NOW OPERATING IN A MORE STABLE ENVIRONMENT.

DURING 2006 WE RESTRUCTURED SOME OF OUR OPERATIONS, MOVED TO NEW SITES IN NSW AND HONG KONG, UPGRADED FACILITIES AND EQUIPMENT AND IMPORTANTLY, LOWERED THE COST BASE OF THE BUSINESS.

WE CONTINUE TO FOCUS ON GAINING EFFICIENCIES IN THE AUSTRALIAN BUSINESS THROUGH REDESIGNING PROCESSES AND INVESTING IN TECHNOLOGY. IN ASIA WE HAVE AN IMPROVED OPERATING BASE AND OUR FOCUS IS ON MOVING INTO PROFITABILITY.



I WILL NOW HAD YOU OVER TO PETER MATTICK WHO WILL TAKE YOU THROUGH SALESFORCE AND GIVE YOU AN UPDATE ON OUR GROUP OUTLOOK.

*Peter Mattick*

THANKS PHIL AND GOOD MORNING.

#### SLIDE 7 – SALESFORCE

SALESFORCE, OUR CONTACT CENTRE AND DIRECT SALES DIVISION, HAD A STRONG YEAR ACROSS THE BOARD WITH SIGNIFICANT GROWTH IN REVENUES AND PROFITS, REFLECTING THE FULL YEAR CONTRIBUTION FROM LAST YEAR'S ACQUISITION AND THE INCREASED TAKEUP OF OUTSOURCING.

THE GROWTH WAS FASTER THAN EVEN WE EXPECTED. REVENUES WERE UP 85.1% TO \$179.9 MILLION, WITH SECOND HALF LIKE-FOR-LIKE GROWTH OF 31%. OUR EBITA MARGIN IMPROVED FROM 3.6% TO 5.8%, GENERATING \$10.5 MILLION OF EBITA. WE GREW OUR SEATS BY 14.4% TO 2,744 AT YEAR END, OPENING A NEW CENTRE IN AUCKLAND AND EXPANDING SITES IN SYDNEY AND MELBOURNE.

OUR PHILIPPINES CLIENTLOGIC JOINT VENTURE PRODUCED STRONG REVENUE GROWTH FROM ITS US BASED CLIENTS, ENABLING US TO RECOGNISE \$2 MILLION OF EQUITY ACCOUNTED PROFITS FOR THE FIRST TIME.

WE RECENTLY ACCEPTED AN ATTRACTIVE OFFER FROM OUR PARTNER, CLIENTLOGIC TO BUY OUR SHARE OF THE JOINT VENTURE FOR \$28 MILLION, AND REPAY THE REMAINING \$5 MILLION OF LOANS OUTSTANDING. NOT ONLY HAVE WE REALISED A GREAT RETURN ON OUR INVESTMENT, BUT WE HAVE RETAINED OUR EXCELLENT RELATIONSHIP WITH CLIENTLOGIC THAT ALLOWS ONGOING USE OF THE FACILITIES IN THE PHILIPPINES UNDER A PREFERENTIAL DEAL.

THE FUNDS RELEASED WILL BE MAINLY INVESTED IN STRENGTHENING OUR TECHNOLOGICAL EDGE AND PRODUCT OFFERING THROUGH THE ACQUISITION OF VECOMMERCE LIMITED.

VECOMMERCE PROVIDES VOICE SELF-SERVICE SOLUTIONS USING WORLD CLASS SPEECH RECOGNITION AND VERIFICATION TECHNOLOGY. THEIR SOLUTIONS MEET THE GROWING DEMAND FOR FASTER AND MORE TAILORED SERVICE. RATHER THAN ME EXPLAIN IT, I'D LIKE TO INTRODUCE PAUL MAGEE, THE MANAGING DIRECTOR OF VECOMMERCE,

WHO IS FAR MORE QUALIFIED TO SHOW YOU HOW WE ALL, AS CONSUMERS, CAN EXPERIENCE THE BENEFITS OF THEIR SOLUTIONS.

Paul Magee to Present – Slides 8 - 11

THANKS FOR THAT QUICK DEMO, PAUL.

TURNING NOW TO TRADING CONDITIONS.

WE HAVE STARTED THE YEAR WELL WITH REVENUES AND PROFITS CURRENTLY ABOVE LAST YEAR'S.

IN TARGETED MEDIA, OUR VOLUME GROWTH IS PLEASING BUT WE ARE STILL CAUTIOUS ABOUT THIS BUSINESS. INDUSTRY COMPETITIVENESS CONTINUES TO BE A RISK AND THE NEXT SIX MONTHS WILL PROVIDE SOME CLARITY.

IN BPO, WE ARE MAKING STEADY PROGRESS WITH OUR IMPROVEMENT INITIATIVES TO IMPROVE MARGINS IN AUSTRALIA AND ASIA.

SALESFORCE, WHICH IS OUR GROWTH ENGINE, IS PERFORMING WELL. WE'VE AGAIN GROWN SEATS WITH THE OPENING IN THE FIRST HALF OF OUR NEW 300 SEAT CALL CENTRE IN GEELONG. WE ARE ALSO EXPECTING TO ADD ANOTHER 250 SEATS INTO OUR EXISTING

FACILITIES LATE IN THE FIRST HALF TO MEET EXPECTED INCREASED UTILISATION LEVELS.

AT THIS STAGE AND SUBJECT TO THE NORMAL CAVEATS, INCLUDING THE FACT THAT WE ARE OPERATING IN SOME COMPETITIVE MARKETS AND HAVE OUR PEAK TRADING MONTHS STILL TO COME, WE ARE EXPECTING A BETTER FIRST HALF FOR THE GROUP THAN LAST YEAR'S. FIRST HALF REVENUES, WHICH ARE TRADITIONALLY STRONGER THAN THE SECOND HALF, ARE EXPECTED TO GROW BETWEEN 12% AND 15% OVER THE FIRST HALF OF LAST YEAR. NET PROFIT AFTER TAX, EXCLUDING SIGNIFICANT ITEMS, FOR THE FIRST HALF IS EXPECTED TO REFLECT AN IMPROVEMENT ON THE FIRST HALF OF LAST YEAR.

RESULTS WILL BE AFFECTED BY A NUMBER OF SIGNIFICANT ITEMS INCLUDING THE \$24.5 MILLION PRE-TAX PROFIT ON DISPOSAL OF THE CLIENTLOGIC PHILIPPINES JOINT VENTURE, WHICH IS EXPECTED TO SETTLE IN NOVEMBER, AND ONGOING RESTRUCTURE COSTS RELATING TO OUR OPTIMISE IMPROVEMENT PROGRAM.

WE WILL PROVIDE A FURTHER UPDATE ON TRADING CONDITIONS WITH OUR HALF YEAR RESULTS IN FEBRUARY.

I WILL NOW HAND BACK TO OUR CHAIRMAN, RICK LEE.