

***Macquarie Securities Group Australia conference***

*Presentation speech by Grant Harrod, 7<sup>th</sup> May 2010*

Good morning and welcome to our update on the Salmat Group.

I'm Grant Harrod, Salmat's CEO, and today I'd like to take you through an overview of our organisation; our results for the half year ended 31 December 2010 and our growth focus moving forward.

***\*\*One Salmat slide\*\****

Many people initially associate Salmat with letterbox distribution, but our service offering is far broader following thirty years of acquisition and innovative product and service development.

As Australia's leading outsourced services provider specialising in targeted customer communications solutions, Salmat uses intelligent systems, people and skills management and deployment to provide services to principally consumer based organisations. We work across B2C industries including retail, financial services, utilities, health, government, hospitality and entertainment.

Salmat is in the business of keeping companies in touch with their customers. Within our three business divisions, we offer a myriad of services which are often the communications interface between our clients and their customers - whether it is through mail, phone, online, email, fax or multimedia channels.

To explain this further, I'll now walk you through Salmat's three core divisions.

*\*\*Business Process Outsourcing slide\*\**

Business Process Outsourcing is Salmat's largest division and it made a 41% contribution to Salmat's revenue in FY09. This division is focused on receiving customer's electronic data, processing it using smart technology and printing and distributing this information either in hard copy or electronic format. This mail is often classified as essential, rather than discretionary, in that it is personalised and contains financial or statutory information which is critical to our clients' operations. Salmat prints and distributes over 1.3 billion mail packs each year on behalf of our clients.

Within our BPO division, we also provide a range of workflow solutions including scanning, imaging and archiving. Our expertise in capturing data, streamlining workflows and integrating with our clients' core business systems enables us to be a true business partner.

*\*\*Customer Contact Solutions slide\*\**

Our Customer Contact Solutions division contributed 33% to Salmat's revenue in FY09. With capacity for 4500 seats, we are Australia's largest operator and engage in over 100 million conversations on behalf of our clients each year.

Salmat has 60 different contact centres located across 13 sites in Australia, New Zealand and Asia in metropolitan, regional, offshore and @Home locations. We handle a wide range of inbound and outbound calls varying in type and complexity. The majority of this work involves handling inbound customer queries, which requires our staff to be highly trained in each client's business.

Within this division, we also offer eLearning and educational programs which clients use to deliver online induction and training programs for their staff.

As a leader in speech recognition software and applications, our self service solutions include voice biometric authentication for companies who wish to improve their levels of customer service, security and privacy. Considering data fraud and security concerns, this is an area that is becoming increasingly popular amongst our clients.

We also have a direct sales service which employs 900 contractors nationally, responsible for visiting households to present information about specific clients' products and services. A further 300 contractors work within kiosks located at shopping centres, airports and at major events.

*\*\*Targeted Media Solutions slide\*\**

Our Targeted Media Solutions area contributed 25% to Salmat's revenue in FY09. In this division, Salmat subcontracts a network of 18000 walkers to deliver more than 4.5 billion catalogues and brochures to homes throughout Australia. Salmat pioneered the introduction of letterbox delivery in Australia and we are constantly advancing its effectiveness.

Using the latest market intelligence products, demographic profiling assists our clients to identify the people most likely to respond to their marketing campaigns. In addition, online reporting and GPS tracking of deliveries elevates our service levels to the highest levels of accountability.

Salmat also provides services which enable clients to deliver one-to-one communication through mobile, email and online channels. Supporting a traditional catalogue campaign with the utilisation of interactive and digital services increases the longevity of the catalogue, improves reach and ultimately response rates. It also has a powerful correlation with customer satisfaction.

*\*\*Financial highlights to 31 December 2009\*\**

As most of you are aware, Salmat reported its interim results at the end of February. At the half year mark, Salmat had made good progress showing strong earnings growth.

EBITA increased by 16.6% from the prior corresponding period to \$45.5 million. EBITDA before significant items increased by 13% through a combination of revenue growth, cost efficiencies and acquisition synergies.

Net profit after tax but before significant items was up 48.5%. Net profit after tax and after significant items was up 21.9%.

Sales were \$453 million which was 0.4% lower than the prior corresponding period. After taking into account foreign exchange impacts, strategic decisions to exit from non-catalogue distribution, pass through telco revenue in Salmat Interactive and our underperforming DHQ business in BPO, revenue growth on a like-by-like basis was up 1.9%.

In terms of our finance costs, they reduced \$2.5 million in the half, mainly due to the lower effective interest rate and lower borrowings compared to the prior corresponding period. Our debt balance decreased by \$35 million from December 2008 to December 2009.

Our EPS grew from 12.5 cents to 15.4 cents representing an increase of 22%. At the half year, we also announced a 22% increase in our final dividend from 9 cents to 11 cents per share fully franked.

*\*\*Growth focus slide\*\**

Salmat is currently working towards a three year plan to continue to grow the business and consolidate our position across key markets.

I am pleased to report that we are making good progress in the execution of this plan.

Our 'One Salmat' strategy is well underway as we bring together all our services into a single one stop offering, so that it is easier for our customers to do business with us. Increasing scale in our emerging businesses is also progressing and continues to be a key focus.

*\*\*Growth focus - Business Process Outsourcing\*\**

There are several major prospects in the pipeline for our BPO division as we continue to develop innovative sales opportunities.

As reported in our half year results announcement, discretionary mail is being impacted by the macro environment and essential mail volumes, particularly in the area of credit card statements. Also essential mail is being impacted by some printed mail volumes shifting to electronic. These declines in volume has brought about the opportunity to adjust our cost base accordingly.

Revenue within the e-Solutions area, which includes online archiving and electronic data delivery of documents, continues to increase and volumes more than doubled in the past year growing from 1.8% of mail packs per month in March 2009 to 4.1% of mail packs in March 2010.

Within Asia, we now offer services from Hong Kong and Taiwan which has strengthened our BPO offering for both Australian and Asian based clients. Our BPO facility in the Philippines provides our Australian customers with a highly cost effective back office infrastructure for data processing, content management services and offshore call centres.

We are also committed to a continued focus on extracting further efficiencies via integration and optimisation across our BPO division.

**\*\* Growth focus - Customer Contact Solutions\*\***

CCS has a healthy pipeline of new prospects and we are well positioned as the leading Australian-domiciled contact centre provider, particularly in light of the increasing trend towards on-shoring. We are also re-positioning this business to target more premium and complex customer requirements which we are ideally positioned for and reduce our involvement in commodity type applications.

Industry growth together with our new emerging businesses including learning and development solutions, speech solutions and field and retail kiosk sales further strengthen our model.

Salmat is recognised as the global leader in speech solutions and significant in-roads are being made, particularly in the finance and banking sectors. Several deals have come to fruition in the past six months and are currently being implemented.

New business wins in this area have reinforced the strength of our service offering, as our proprietary technologies and back-end workflow enable our clients to improve their customer's experience and enhance security and efficiency.

For example, our open menu speech capability is proving very popular and has been designed so that customers phoning into an organisation are greeted and then asked to nominate what type of assistance that they require so that their call can be automatically routed to the appropriate service area. Our biometric technology, which has been designed to improve the security of internet banking transactions, is also being well received.

Within our learning and development solutions area, the investments we have made to strengthen our offering has enabled us to sell and deliver higher value transactions. Integrating eLearning with our Registered Training Organisation has created a hybrid learning and development model which has expanded our capability, particularly for the retail sector utilising government supported funding for registered training applications.

Testament to this, two new retail chains have recently signed contracts that will enable thousands of trainees to undertake e-learning and face-to-face education programs that will provide them with the skills required to undertake their role.

In addition, two government contracts have been signed for the development of language curriculum and online education training programs.

***\*\* Growth focus - Targeted Media Solutions\*\****

Targeted Media Solutions continues to perform well. There have been several significant new client wins as retailers recognise our superior deliverability and transparency providing catalogue distribution services. This together with our sophisticated data analytics capability and our digital and interactive services has enabled us to maintain our leadership position in a competitive environment.

We also continue to see organic growth amongst our larger retail clients, as they increasingly view catalogues as a media of choice. In addition, the ability to segment delivery to suit a specific demographic has led to an increase in uptake by non-retailers. Our advanced mapping technologies are successfully being used to build targeted marketing campaigns.

As we continue to evolve our One Salmat model, the ability for us to offer clients such a broad spectrum of services offers real benefit in dramatically improving their marketing return. We have a good pipeline of opportunities in this area and consider that it will provide strong leverage moving forward.

We are also achieving considerable traction in our Interactive division, as tier one retailers recognise the benefits of a marketing program that extends into email and mobile channels. We continue to capture greater market share and clients are responding well to the opportunity to present customers with retail offers using these technologies.

Our focus on expanding into new markets has also seen the finalisation of our go-to-market strategy for the Small to Medium Enterprise (SME) market place.

This strategy is aimed at diversifying our customer base from our traditional corporate client focus and we have appointed a national sales team to target this new sector.

We are currently establishing trials in Victoria for a complete offering that encompasses design, print and distribution services which will enable SME's to deliver an integrated marketing campaign to their customers. We are aiming for a national rollout of this new service later in the year.

Lasoo continues to gain momentum as the premier pre-shop portal and take-up amongst clients and consumers continues to accelerate. We are currently investigating a range of initiatives to accelerate the growth of this unique application to take advantage of rapidly expanding consumer interest in on-line services and thus maintain our leadership position.

Our new iPhone application is also proving popular and 20 thousand Australians downloaded the application in the four month period following its launch. The appeal of this application is that it provides consumers with the convenience of sourcing retail offers and store locations from their phone. To highlight our innovation leadership our team launched a Lasoo iPad app last week in advance of the official Australian launch of Apple's new iPad system.

*\*\*Outlook slide\*\**

Salmat's senior leadership team is committed to the ongoing growth of the organisation and we intend to actively pursue this using a range of strategies.

Firstly, we will continue to drive synergies by consolidating each business division and identifying further opportunities to improve efficiencies.

Secondly, we will continue to pursue margin growth through our 'One Salmat' strategy, bringing together all our services into a single one stop offering so that it is easier for our customers to do business with us. Opportunities exist for organic growth amongst our existing client base and by focusing on extending our services throughout these organisations, we can maximise synergies, lift customer engagement and reduce costs.

Thirdly, by targeting the Small to Medium Enterprise (SME) sector, we have an opportunity to grow market share in an area where we do not currently have a significant presence.

Lastly, now that we have integrated the HPA acquisition into our organisation pending some site consolidations, we are looking to accelerate our growth inorganically through additional acquisition opportunities. With a strong balance sheet and support from our bankers, we are in a prime position to move as the right opportunity presents itself.

We acknowledge that we are entering a more challenging retail environment following the anniversary of the government's stimulus package and rising interest rates. All indicators confirm that we are entering a tougher marketplace for discretionary activity.

However, our diversified portfolio of products and services provides us with a level of resilience.

We re-confirm our previously-stated outlook of around \$85-90 million EBITA for the full year before significant items.

That concludes the presentation today. I look forward to reporting on our progress in more detail at our full year results presentation in August and would now like to open up the floor for any questions.