

# **SALMAT LIMITED**

## **RESULTS PRESENTATION H1 FY2006**

**(27 FEBRUARY 2006)**

**[PHIL SALTER]**

### **SLIDE 1 - TITLE SLIDE**

GOOD MORNING AND WELCOME TO THIS PRESENTATION OF SALMAT'S RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2005.

THANK YOU FOR JOINING US ON THIS CONFERENCE CALL.

I'M PHIL SALTER AND WITH ME ARE PETER MATTICK AND ASHLEY FENTON.

DURING THE PRESENTATION WE WILL REFER TO THE SLIDES THAT WERE LODGED WITH THE ASX THIS MORNING. IF YOU DON'T HAVE THEM YET, THEY ARE AVAILABLE ON OUR WEBSITE [WWW.SALMAT.COM.AU](http://WWW.SALMAT.COM.AU)

I'LL START BY RUNNING THROUGH THE MAIN POINTS. ASHLEY WILL THEN DISCUSS OUR FINANCIAL PERFORMANCE IN MORE DETAIL, AND PETER WILL TALK ABOUT THE PROGRESS AND OPERATIONAL FOCUS OF OUR THREE DIVISIONS.

### **SLIDE 2 – FINANCIAL SUMMARY**

LET ME START BY SAYING THIS HALF HAS BEEN AN IMPORTANT BUILDING PHASE FOR OUR COMPANY. DURING THE PERIOD WE'VE MADE SIGNIFICANT PROGRESS WITH BEDDING DOWN TWO ACQUISITIONS AND SOME SOLID NEW BUSINESS WINS. AT THE SAME TIME WE'VE INVESTED IN THE SYSTEMS AND INFRASTRUCTURE REQUIRED TO RUN OUR ENLARGED AND GROWING BUSINESS.

WE ARE VERY PLEASED WITH OUR REVENUE GROWTH OF 45 PER CENT, THOUGH MUCH OF THIS IS ATTRIBUTABLE TO THE ACQUISITIONS WE'VE MADE. HOWEVER ALL THREE DIVISIONS INCREASED SALES AND BUILT ON THEIR LEADING MARKET POSITIONS.

PROFIT AFTER TAX WAS DOWN \$3.5 MILLION, OR 21 PER CENT. THIS WAS DUE MAINLY TO PRICING PRESSURES AND HIGHER COSTS IN OUR BUSINESS PROCESS OUTSOURCING BUSINESS, AND ALSO TO OUR INCREASED INVESTMENT IN INFRASTRUCTURE. WHILE THIS RESULT IS DISAPPOINTING, IT IS AHEAD OF THE GUIDANCE PROVIDED AT THE AGM IN NOVEMBER.

THE BOARD HAS DECLARED A FULLY FRANKED INTERIM DIVIDEND OF 7 CENTS, UP 7.7 PER CENT ON THE PREVIOUS YEAR. THIS REFLECTS THEIR CONFIDENCE WITH THE STRATEGIC POSITIONING OF THE GROUP AND ITS LONG TERM, SUSTAINABLE GROWTH PROSPECTS.

### **SLIDE 3 – KEY POINTS**

WE ARE VERY HAPPY WITH OUR TARGETED MEDIA AND CONTACT CENTRES BUSINESSES, BOTH OF WHICH PERFORMED WELL.

TARGETED MEDIA DELIVERED A SOLID RESULT, WITH REVENUES UP 6.4% AND EBITA UP 8.1% – AND LIFTED ITS MARGIN TO 22.7%. THIS WAS A GOOD ACHIEVEMENT IN VIEW OF A

SHORTAGE OF PRINT CAPACITY IN THE PRINTING INDUSTRY AND REFLECTS THE INCREASED CONTRIBUTION FROM NON-TRADITIONAL CUSTOMERS.

CONTACT CENTRES SUBSTANTIALLY COMPLETED THE INTEGRATION OF SALESFORCE. THE DIVISION ALSO WON NEW CUSTOMERS, ADDED SEATS, ROLLED OUT NEW TECHNOLOGY, AND INCREASED UTILISATION LIFTED ITS MARGIN.

CLIENTLOGIC PHILIPPINES, OUR 49 PER CENT OWNED JOINT VENTURE CALL CENTRE BUSINESS, HAD AN EXCELLENT SIX MONTHS WITH STRONG REVENUE AND PROFIT GROWTH, ENABLING US TO EQUITY ACCOUNT EARLIER THAN PLANNED.

WHILE BUSINESS PROCESS OUTSOURCING'S RESULT WAS DISAPPOINTING, EBITA WAS DOWN \$4 MILLION, IT WAS IN LINE WITH THE GUIDANCE WE PROVIDED AT THE AGM. ON THE POSITIVE SIDE THE BUSINESS POSTED REVENUE GROWTH OF 23% AND WE MADE GOOD PROGRESS WITH POSITIONING THE BUSINESS FOR FUTURE GROWTH WITH SIGNIFICANT INVESTMENT IN NEW SITES, SYSTEMS AND EQUIPMENT.

#### **SLIDE 4 – DIVERSIFIED REVENUE BASE**

OVERALL IT HAS BEEN A BUSY SIX MONTHS AND IMPORTANTLY, WE NOW HAVE THREE DIVISIONS, ALL OF THEM MARKET LEADERS AND EACH PROVIDING ABOUT A THIRD OF THE GROUP'S REVENUE. OUR BUSINESS THEREFORE, IS NOW MORE DIVERSE AND WE HAVE A MORE BALANCED EXPOSURE TO INDUSTRY CYCLES. ADDITIONALLY, THIS DIVERSIFIED BASE WILL GIVE US GREATER ACCESS TO FUTURE GROWTH OPPORTUNITIES.

AND THE WORK WE'VE DONE IN INVESTING IN OUR BUSINESS GIVES US A STRONG GROWTH PLATFORM FOR THE FUTURE.

I WILL NOW HAND OVER TO ASHLEY TO TALK ABOUT OUR FINANCIAL RESULTS IN MORE DETAIL.

**[ASHLEY FENTON]**

**SLIDE 5 – GROUP RESULT**

THANKS, PHIL. GOOD MORNING EVERYONE.

SALES REVENUE FOR THE SIX MONTHS WAS \$262 MILLION, WHICH WAS UP 45 PER CENT ON THE PREVIOUS CORRESPONDING PERIOD, DUE TO BOTH ORGANIC GROWTH AND ACQUISITIONS.

EBITDA, AT \$29.7 MILLION, WAS DOWN 2.6 PER CENT – BUT ADJUSTING FOR SIGNIFICANT ITEMS, IT WAS UP 6.0 PER CENT.

EBITA WAS FLAT, AND I WILL TAKE YOU THROUGH THE DETAIL SHORTLY.

DEPRECIATION WAS LOWER, BUT WHEN LAST YEAR'S \$2.2 MILLION SIGNIFICANT ITEM (THE WRITE OFF OF SOFTWARE ASSETS) IS TAKEN INTO ACCOUNT, UNDERLYING DEPRECIATION INCREASED BY \$1.2 MILLION, REFLECTING OUR HIGHER CAPEX SPEND.

AMORTISATION IS ATTRIBUTABLE TO THE IFRS TREATMENT OF INTANGIBLES WITH THE VALUE OF SALESFORCE CUSTOMER CONTRACTS BEING RECOGNISED AS AN INTANGIBLE ASSET AND AMORTISED OVER THREE YEARS.

NET INTEREST EXPENSE OF \$2.0 MILLION REFLECTS THE DEBT FUNDING TO ACQUIRE SALESFORCE A YEAR AGO.

OUR TAX EXPENSE IS HIGHER THAN THE PRIOR RESULT DUE PREDOMINANTLY TO THE NON-TAXABLE WRITE-BACK OF THE CLIENTLOGIC LOAN PROVISIONS LAST YEAR. THE EFFECTIVE TAX RATE OF 33 PER CENT FOR THIS RESULT IS IN LINE WITH OUR EXPECTATIONS.

PROFIT AFTER TAX WAS \$13.1 MILLION. WHILE THIS WAS DOWN \$3.5 MILLION ON THE PREVIOUS CORRESPONDING HALF, IT WAS BETTER THAN OUR GUIDANCE AT THE AGM WHEN WE EXPECTED TO BE DOWN BETWEEN \$4 MILLION AND \$5 MILLION.

THE INTERIM DIVIDEND OF 7 CENTS FULLY FRANKED, PAYABLE ON 28 MARCH, IS AN INCREASE OF 7.7 PER CENT AND REPRESENTS A PAY-OUT RATIO OF 62 PER CENT.

#### **SLIDE 6 - SIGNIFICANT ITEMS**

THERE WERE TWO SIGNIFICANT ITEMS IN THE RESULT.

FIRST, A \$1 MILLION CHARGE RELATED TO BPO'S INTEGRATION AND RESTRUCTURE COSTS, OF WHICH \$600,000 RESULTED FROM REDUNDANCIES.

SECOND, THE RELEASE OF THE REMAINING \$500,000 PROVISION AGAINST OUR LOANS TO CLIENTLOGIC. THIS IS ONLY SHOWN AS A SIGNIFICANT ITEM AS IT IS REQUIRED FOR THE PURPOSES OF COMPARISON WITH THE PRIOR YEAR. ALL PROVISIONS AGAINST THESE LOANS HAVE NOW BEEN REVERSED.

#### **SLIDE 7 - REVENUE GROWTH**

REVENUE GROWTH ACROSS THE GROUP WAS STRONG, UP \$81 MILLION OR 45 PER CENT.

AS YOU CAN SEE FROM THIS GRAPH, CONTACT CENTRES WAS THE MAIN CONTRIBUTOR, UP \$59.6 MILLION, OR 254 PER CENT, TO \$83.1 MILLION. MUCH OF THIS INCREASE WAS DUE TO THE ACQUISITION OF SALESFORCE A YEAR AGO.

BPO WAS THE SECOND LARGEST CONTRIBUTOR WITH \$15.9 MILLION, INCREASING ITS REVENUE BY 23.1 PER CENT TO \$84.8 MILLION. THIS INCLUDED \$14 MILLION FROM THE NSW DIGITAL PRINT-ON-DEMAND ACQUISITION.

TARGETED MEDIA CONTRIBUTED \$5.7 MILLION, LIFTING ITS REVENUE BY 6.4 PER CENT TO \$94.1 MILLION DUE TO BOTH INCREASED PRICES AND HIGHER VOLUMES.

#### **SLIDE 8 - EBITA**

OVERALL, EBITA WAS FLAT AT \$22.3 MILLION, WITH GROWTH IN CONTACT CENTRES AND TARGETED MEDIA OFFSET BY THE WEAKER RESULT IN BPO.

YOU CAN SEE THE IMPACT OF BPO, WITH ITS EBITA HALVED TO \$4.0 MILLION ON THIS GRAPH. THIS IS IN LINE WITH WHAT WE FLAGGED AT THE AGM AND RESULTED FROM CONTINUING PRICING PRESSURE IMPACTS OF ABOUT \$3 MILLION, THE COSTS OF BEDDING DOWN NEW CONTRACTS AND – TO A LESSER DEGREE – THE INITIAL IMPACT OF HIGHER DEPRECIATION FOLLOWING OUR INCREASED INVESTMENT IN SYSTEMS AND INFRASTRUCTURE.

CONTACT CENTRES INCREASED ITS EBITA BY \$3.4 MILLION TO \$3.8 MILLION, DUE SUBSTANTIALLY TO THE ACQUISITION OF SALESFORCE. THIS FIGURE ALSO INCLUDES OUR FIRST EQUITY PROFIT CONTRIBUTION FROM CLIENTLOGIC PHILIPPINES OF \$400,000. PLEASINGLY, CALL CENTRES EBITA MARGIN WAS 4.6 PER CENT, COMPARED WITH 3.6 PER CENT FOR THE SECOND HALF OF 2005.

TARGETED MEDIA ALSO PERFORMED WELL, INCREASING ITS EBITA BY \$1.6 MILLION, OR 8.1 PER CENT, TO \$21.4 MILLION. ITS EBITA MARGIN STRENGTHENED TO 22.7 PER CENT FROM 22.4 PER CENT FOR THE PREVIOUS CORRESPONDING PERIOD.

#### **SLIDE 9 – CAPITAL EXPENDITURE**

OPERATING CASH FLOW WAS \$12.9 MILLION. EFFECTIVE WORKING CAPITAL MANAGEMENT ENABLED US TO HOLD THIS AT 2004 LEVELS, DESPITE OUR SIGNIFICANT REVENUE INCREASE.

CAPITAL EXPENDITURE INCREASED TO \$16.8 MILLION FROM \$9.0 MILLION. THIS RESULTED MAINLY FROM OUR INVESTMENT DURING THE PERIOD IN BPO TECHNOLOGY AND INFRASTRUCTURE, IN UPGRADING CONTACT CENTRES' SYSTEMS, AND IN NEW PREMISES. OUR SPEND FOR THE HALF WAS ABOVE OUR TARGET RANGE OF 4.0 – 4.5 PER CENT OF SALES MAINLY DUE TO TIMING; AND WE EXPECT OUR SECOND HALF CAPEX TO BE BETWEEN \$6 AND \$7 MILLION WHICH WILL SEE US WITHIN THE TARGET RANGE FOR THE FULL YEAR.

#### **SLIDE 10 – LOANS ADVANCED AND REPAID - CLP**

CLIENTLOGIC PHILIPPINES' STRONG CASH FLOW TURNAROUND CONTINUED, AND \$2.1 MILLION OF ITS LOANS FROM SALMAT WERE REPAID OUT OF CASH FLOW. AS YOU CAN SEE FROM THIS GRAPH, WE ARE NOW STARTING TO RE-COUP THE LOANS WE HAD PREVIOUSLY MADE. OUTSTANDING LOANS TO CLP AT 31 DECEMBER TOTALLED \$7.4 MILLION, AND FURTHER REPAYMENTS OF AROUND \$2 MILLION ARE EXPECTED IN THE SECOND HALF.

THE GROUP'S NET DEBT AT 31 DECEMBER WAS \$65.5 MILLION, UP FROM \$52.6 MILLION AT 30 JUNE 2005 DUE MAINLY TO THE TIMING OF THE HIGHER CAPEX SPEND. THIS REPRESENTS A NET DEBT:EQUITY RATIO OF 65.4 PER CENT, WHICH WE ARE COMFORTABLE WITH DUE TO OUR STRONG CASH FLOW AND INTEREST COVER OF ALMOST 15 TIMES.

I WILL NOW HAND OVER TO PETER MATTICK, WHO WILL REVIEW THE OPERATIONS OF EACH DIVISION.

**[PETER MATTICK]**

THANKS ASHLEY. GOOD MORNING EVERYONE.

**SLIDE 11 – TARGETED MEDIA**

I'LL START WITH TARGETED MEDIA

OUR TARGETED MEDIA DIVISION PERFORMED WELL. THIS IS A LOW-CAPITAL-INTENSIVE AND LOW-RISK BUSINESS WITH STRONG CASH FLOW AND AN EXCELLENT RETURN ON CAPITAL. WE WERE PARTICULARLY PLEASED WITH THE HIGHER MARGIN, WHICH WAS THE RESULT OF EFFECTIVE COST MANAGEMENT AND OF PASSING FREIGHT COST INCREASES ON TO CUSTOMERS AS CONTRACTS WERE RENEWED.

THE NUMBER OF ADVERTISING CATALOGUES AND OTHER ITEMS DELIVERED GREW BY 3.9 PER CENT TO 2.3 BILLION. THIS WAS A GOOD ACHIEVEMENT AT A TIME OF CAPACITY CONSTRAINTS IN THE PRINTING INDUSTRY, WHICH I AM PLEASED TO SAY ARE NOW EASING. IT'S ALSO A GOOD RESULT IN THE CONTEXT OF A SOFT ADVERTISING MARKET.



DURING THE SIX MONTH PERIOD, WE ROLLED OUT A NEW SOFTWARE DISTRIBUTION PLATFORM WHICH WILL IMPROVE CUSTOMER SERVICE AND, OVER TIME, INCREASE PRODUCTIVITY. THIS IS THE FIRST TIME IN 15 YEARS THAT TARGETED MEDIA HAS INTRODUCED A TOTALLY NEW SOFTWARE SYSTEM, AND ALL COSTS HAVE BEEN WRITTEN OFF.

THERE HAVE BEEN RECENT REPORTS ON THE IMPACT ON MEDIA COMPANIES OF THE GROWING FRAGMENTATION OF TRADITIONAL MEDIA AND OF GREATER ACCOUNTABILITY FOR MARKETING BUDGETS. THESE CHANGES ARE DRIVING ADVERTISERS AND AGENCIES TO SHIFT ADVERTISING BUDGETS FROM TRADITIONAL MEDIA TO NEW ADVERTISING PLATFORMS, INCLUDING DIRECT MEDIA. AS THE AUSTRALIAN AND NEW ZEALAND LEADER IN TARGETED ADVERTISING CATALOGUE DISTRIBUTION, WE EXPECT TO CONTINUE TO BENEFIT FROM THIS TREND, WITH VOLUME GROWTH OUTSTRIPPING OVERALL RETAIL ADVERTISING SPEND. OUR DATA ANALYTICS AND TARGETING TOOLS WILL CONTINUE TO INFLUENCE THIS PROCESS.

LOOKING AHEAD, WE ARE CAUTIOUSLY OPTIMISTIC. WHILE IT MAY TAKE TIME FOR TARGETED MEDIA ADVERTISERS TO TAKE UP THE INCREASING PRINT CAPACITY AVAILABLE, THE TREND AWAY FROM TRADITIONAL MEDIA IS EXPECTED TO CONTINUE. WE ALSO PLAN TO BROADEN AND EXPAND OUR CUSTOMER BASE AND ENCOURAGE EXISTING CUSTOMERS TO INCREASE THEIR FREQUENCY OF USE.

THE ADVERTISING MARKET IS LIKELY TO REMAIN SOFT FOR THE REMAINDER OF THE YEAR. WE EXPECT OUR VOLUME GROWTH FOR THE SECOND HALF TO BE AT AROUND THE SAME LEVELS AS FOR THE FIRST HALF. MARGINS WILL MAINTAIN SOME IMPROVEMENT AS COST CONTROL AND FREIGHT RECOVERIES CONTINUE.

**SLIDE 12 - BUSINESS PROCESS OUTSOURCING**

OUR BPO DIVISION IS THE MARKET LEADER IN PRINTING AND PROCESSING BANK AND CREDIT CARD STATEMENTS AND OTHER REGULAR, ESSENTIAL MAILINGS; AND WE HAVE LONG-TERM CONTRACTS WITH BLUE-CHIP CUSTOMERS. THIS IS CURRENTLY A HIGHLY COMPETITIVE MARKET, AND SUCCESS DEPENDS UPON SUPERIOR DATA SKILLS AND TECHNOLOGY, AS WELL AS UPON HIGH QUALITY SERVICE, SECURITY AND COST MANAGEMENT.

AS WE SAID AT THE AGM, THIS DIVISION HAS BEEN IMPACTED BY CONTINUED PRICING PRESSURE AND HIGHER COSTS, BUT IN THIS ENVIRONMENT HAS MANAGED TO INCREASE VOLUMES. THE AUSTRALIAN BUSINESS INCREASED MAILPACK VOLUMES BY 9.2%, BUT RELATED REVENUES WERE FLAT.

OUR MAIN FOCUS DURING THE PERIOD WAS ON REFRESHING THE DIVISION'S TECHNOLOGY AND INFRASTRUCTURE TO INCREASE PRODUCTIVITY AND OPERATIONAL CAPACITY. WE MOVED OUR LARGEST OPERATION IN NSW INTO NEW PREMISES AND ALSO RELOCATED OUR HONG KONG BUSINESS. WE INSTALLED NEW MACHINERY AND RESTRUCTURED OUR WORKFORCE; AND THESE INITIATIVES, TOGETHER WITH IMPLEMENTATION OF NEW CONTRACTS, INCURRED SUBSTANTIAL ONE-OFF COSTS.

INTEGRATION OF OUR NSW PRINT-ON-DEMAND BUSINESS IS PROGRESSING WELL AND PERFORMED AS EXPECTED, WITH REVENUE OF \$14 MILLION AND EARNINGS OFFSETTING INTEGRATION COSTS. WE HAVE PUT IN PLACE NEW TECHNOLOGY TO LIFT PRODUCTIVITY, INCLUDING E-POD, A WEB-BASED, INTEGRATED ORDERING SYSTEM.

REVENUE FROM BPO'S ASIAN OPERATIONS INCREASED BY 15 PER CENT. THIS WAS DRIVEN MAINLY BY THE IMPLEMENTATION OF THE MAJOR CONTRACT WE WON IN FEBRUARY 2005. WE ALSO WON SIGNIFICANT OTHER NEW BUSINESS IN HONG KONG, INCLUDING A CONTRACT FOR A GLOBAL BANK WHICH STARTED EARLIER THAN EXPECTED.

OUR HONG KONG BUSINESS QUADRUPLED ITS WORKFORCE AND IS EXPECTED TO MOVE TOWARDS PROFIT DURING THE SECOND HALF.

LOOKING AHEAD WE EXPECT CONDITIONS TO REMAIN TOUGH WITH OUR MAIN FOCUS ON MANAGING PRICING PRESSURE IMPACTS. AT THE SAME TIME WE ARE FACING INCREASED COSTS FROM OUR CAPEX REINVESTMENT. WHILST WE EXPECT TO SEE SOME BENEFITS FROM THIS SPEND IN IMPROVED PRODUCTIVITY, THERE MAY BE FURTHER RESTRUCTURING COSTS.

WE EXPECT REVENUE GROWTH TO BE SLOWER IN THE SECOND HALF AS THE NSW PRINT ON DEMAND RESULTS WERE INCLUDED IN LAST YEAR'S FIGURES FROM APRIL, HOWEVER WE DO EXPECT TO SEE A SMALL INCREASE IN MARGINS. SEASONALLY THE SECOND HALF IS USUALLY SOFTER THAN THE FIRST HALF, HOWEVER WE EXPECT A RESULT IN LINE WITH THE FIRST HALF.

CURRENT INDUSTRY PRICING LEVELS ARE NOT SUSTAINABLE TO ALLOW FOR REINVESTMENT IN THE FUTURE AND WE BELIEVE RATIONALISATION IS ON THE HORIZON. WE ESTIMATE THAT IT WILL TAKE 2 – 3 YEARS FOR MARGINS TO RETURN TO SATISFACTORY LEVELS.

### **SLIDE 13 - CONTACT CENTRES**

CONTACT CENTRES TODAY IS A VERY DIFFERENT BUSINESS FROM WHAT IT WAS IN THE FIRST HALF 2005. FOLLOWING THE ACQUISITION OF SALESFORCE A YEAR AGO, WE ARE NOW THE MARKET LEADER IN AUSTRALIA AND HAVE A SIGNIFICANT OPERATION IN NEW ZEALAND.

THE INTEGRATION OF SALESFORCE IS NOW SUBSTANTIALLY COMPLETE, THERE WERE NO WARRANTY ISSUES AND WE HAVE PAID THE BALANCE OF THE PURCHASE PRICE. WE ARE

VERY HAPPY WITH CONTACT CENTRES' PROGRESS AND ITS RESULTS FOR THE PERIOD WERE IN LINE WITH OUR EXPECTATIONS.

SCALE IS THE KEY TO SUCCESS IN THIS BUSINESS, ALLOWING US TO INVEST IN SUPERIOR TECHNOLOGY AND INCREASE MARGINS. NEW CONTRACTS RESULTED IN ADDITIONAL SEATS IN BOTH AUSTRALIA AND NEW ZEALAND, BRINGING THE TOTAL TO 2,687, AND SEAT UTILISATION INCREASED TO 75 PER CENT FROM 62 PER CENT IN JUNE 2005.

THE COSTS OF ESTABLISHING THESE NEW SEATS AND OF ROLLING OUT GENESYS TECHNOLOGY ACROSS ALL OUR SEATS HAD A SHORT TERM IMPACT ON MARGINS, WHICH NONETHELESS INCREASED TO 4.6 PER CENT FROM 3.5 PER CENT IN THE 2005 FINANCIAL YEAR. OUR ONGOING TARGET IS TO INCREASE THIS MARGIN TO 10 PER CENT.

OUR GENESYS TECHNOLOGY PROVIDES SUPERIOR INTERFACE BETWEEN COMPUTER AND TELEPHONE, AND INTELLIGENT ROUTING, INCREASING PRODUCTIVITY AND IMPROVING CUSTOMER SERVICE. IT ALSO STRENGTHENS COMPATIBILITY WITH POTENTIAL CUSTOMERS AND MAINTAINS SALMAT AT THE FOREFRONT OF THE INDUSTRY.

THE LEVEL OF TENDERS AND ENQUIRIES CONTINUES TO BE STRONG AS THIS INDUSTRY DEVELOPS. WE EXPECT THE BENEFITS OF NEW SEATS ADDED IN THE FIRST HALF WILL COME THROUGH IN THE SECOND HALF. AS A RESULT, THE SECOND HALF SHOULD BE STRONGER THAN THE FIRST WITH MARGINS FURTHER IMPROVING. WITH THE HIGHER UTILISATION LEVELS WE ARE NOW OPERATING AT, ANY NEW BUSINESS WINS IN EXCESS OF 100 SEATS WILL REQUIRE US TO ADD NEW SEATS AND INCUR TRAINING AND SET UP COSTS.

**SLIDE 14 – CLIENTLOGIC PHILIPPINES JOINT VENTURE**

CLIENTLOGIC PHILIPPINES PRODUCED A GREAT RESULT, AND WE WERE PLEASED TO BE ABLE TO BEGIN EQUITY ACCOUNTING EARLIER THAN PLANNED. THE CUSTOMER BASE IS GROWING, MORE WORK IS BEING RECEIVED FROM EXISTING CUSTOMERS, AND SEAT UTILISATION AT THE NEW BAGUIO CALL CENTRE IS INCREASING. AS YOU WILL SEE FROM THE SLIDE, CLP'S EBITA MARGIN INCREASED TO 21.2 PER CENT, SHOWING THE LEVERAGE RESULTING FROM SCALE AND INCREASED UTILISATION.

CLP'S PERFORMANCE IS EXPECTED TO REMAIN STRONG IN THE SECOND HALF AND EQUITY PROFITS OF AT LEAST \$1.5 MILLION ARE EXPECTED.

#### **SLIDE 14 – STRATEGIC GOALS**

WE CONTINUE TO MANAGE THE BUSINESS FOR LONG-TERM SUSTAINABLE GROWTH, AND WE REMAIN FOCUSED ON: GENERATING SATISFACTORY SHAREHOLDER RETURNS; MAINTAINING THE MARKET LEADERSHIP OF OUR THREE BUSINESSES; AND IMPROVING AND ADDING TO OUR BUSINESSES THROUGH INVESTMENT IN TECHNOLOGY, NEW PRODUCTS AND ACQUISITIONS WHERE THEY MEET OUR CRITERIA.

#### **SLIDE 15 – OUTLOOK**

IN TERMS OF OUTLOOK, SUBJECT TO THE USUAL CAVEATS, WE EXPECT FURTHER REVENUE GROWTH FROM ALL DIVISIONS IN THE SECOND HALF, WITH PROFIT AFTER TAX BROADLY IN LINE WITH THE FIRST HALF.

IN CONCLUSION, THIS HAS BEEN A PERIOD OF BUILDING FOR THE FUTURE. THE SIGNIFICANT INCREASE IN SALES REVENUE DEMONSTRATES THE STRENGTH OF OUR

THREE DIVISIONS; AND WE ARE NOW WELL EQUIPPED TO IMPROVE PRODUCTIVITY AND TAKE ADVANTAGE OF GROWTH OPPORTUNITIES.

WE SHALL BE PLEASED TO ANSWER ANY QUESTIONS. PLEASE SAY WHO YOU ARE AND THE FIRM YOU REPRESENT.

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Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include but are not limited to: competition and product pricing in the markets in which we operate; general economic and market conditions; compliance with, and possible changes in, environmental and health and safety laws; dependence on cyclical markets; the supply and cost of materials; exposure to environmental or other legal proceedings; and risks of conducting business internationally. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those contained in forward-looking statements. Forward-looking statements speak only as of the date they are made.