

SALMAT – RESULTS PRESENTATION FY2007

[PHIL SALTER]

TITLE SLIDE

GOOD MORNING AND WELCOME TO THIS PRESENTATION OF SALMAT'S RESULTS FOR THE YEAR TO 30 JUNE 2007.

THANK YOU FOR JOINING US TODAY EITHER IN PERSON OR BY CONFERENCE CALL.

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

TODAY I WILL GIVE YOU AN OVERVIEW OF THE RESULT AND A RUN DOWN ON WHAT WE HAVE ACHIEVED DURING THE YEAR IN EACH OF THE BUSINESSES. THEN ASHLEY WILL PROVIDE YOU WITH MORE DETAIL ON THE NUMBERS.

PETER WILL THEN ADDRESS THE OPERATIONAL ASPECTS OF EACH BUSINESS AND THE STRATEGIES WE HAVE TO MOVE THEM FORWARD. HE WILL ALSO PROVIDE AN UPDATE ON OUR BID FOR HPA.

THE PRESENTATION WILL LAST FOR ABOUT 30 MINUTES AND WE'LL TAKE QUESTIONS AT THE END.

THIS HAS BEEN ONE OF OUR BUSIEST AND MOST IMPORTANT YEAR'S ON RECORD WITH MANY KEY OPERATIONAL AND STRATEGIC INITIATIVES IMPLEMENTED, AND IT'S PLEASING THAT WE FINISHED THE YEAR WITH STRONG SALES GROWTH OF OVER 14% AND OUR EARNINGS IN LINE WITH OUR GUIDANCE.

MORE SIGNIFICANTLY WE HAVE TAKEN A NUMBER OF KEY STRATEGIC STEPS DURING THE YEAR, WHICH WILL ENHANCE THE LONGER TERM GROWTH PROSPECTS OF THE COMPANY. THE LATEST MOVE IS OUR RECOMMENDED OFFER FOR HPA, A TRANSACTION WHICH PROVIDES A UNIQUE OPPORTUNITY TO CREATE THE LEADING BUSINESS ONE-TO-ONE COMMUNICATIONS FORCE IN AUSTRALIA. WE ARE DELIGHTED THAT OUR OFFER HAS BEEN RECOMMENDED BY THEIR BOARD OF DIRECTORS AND SUPPORTED BY THEIR MAJOR SHAREHOLDER.

HIGHLIGHTS SLIDE

IN THE FIRST HALF WE SOLD OUR INVESTMENT IN THE CLIENTLOGIC PHILIPPINES JOINT VENTURE, REALISING A SUBSTANTIAL PROFIT. WE

REINVESTED THE PROCEEDS INTO THE HIGH GROWTH AREAS OF INTERACTIVE DIGITAL, WITH THE ACQUISITION OF DIALECT INTERACTIVE, AND SPEECH VERIFICATION SOLUTIONS, WITH THE ACQUISITION OF VECOMMERCE. BOTH HAVE IMPROVED OUR TECHNOLOGICAL CAPABILITIES AND BROADENED OUR PRODUCT OFFERINGS.

LAST WEEK WE ANNOUNCED A PROPOSED JOINT VENTURE WITH NEW ZEALAND POST TO DELIVER UNADDRESSED MAIL IN THE NEW ZEALAND MARKET. THIS JOINT VENTURE WILL COMBINE THE STRENGTHS OF THE CURRENT BUSINESSES IN THAT MARKET WHILE REALISING A NUMBER OF OPERATING EFFICIENCIES AND NETWORK SYNERGIES. THE PROPOSAL IS SUBJECT TO A NUMBER OF CONTRACTUAL CONDITIONS AND CLEARANCE FROM THE NEW ZEALAND COMMERCE COMMISSION. WE EXPECT THAT WE WILL HAVE THE COMMISSION'S DECISION ON THE TRANSACTION BY LATE IN THE CALENDAR YEAR.

ANOTHER KEY INITIATIVE HAS BEEN THE DEVELOPMENT OF A NEW DIGITAL ADVERTISING SOLUTION, WHICH WE ARE ANNOUNCING FOR THE FIRST TIME TODAY. THIS IS THE MOST SIGNIFICANT DEVELOPMENT IN RETAIL ADVERTISING IN THE LAST 20 YEARS.

ABOUT 5 MILLION AUSTRALIANS CURRENTLY TRY TO USE THE INTERNET TO MAKE THEIR PRE-PURCHASE DECISIONS WHEN BUYING GOODS FROM MAJOR DEPARTMENT STORES, APPAREL RETAILERS AND WHITEGOODS AND ELECTRICAL GOODS OUTLETS. BUT RIGHT NOW THERE IS NO SINGLE PLACE THAT THEY CAN GO TO PERFORM THAT RESEARCH.

OUR SOLUTION? - LASOO.COM.AU IS AN AGGREGATED INTERNET SITE THAT IS FULLY SEARCHABLE AND BROWSABLE FOR CONSUMERS TO QUICKLY FIND WHAT THEIR LOCAL RETAILERS ARE PROMOTING. THIS IS A WEB TO STORE STRATEGY.

PETER WILL PROVIDE A BIT MORE DETAIL ON LASOO SHORTLY.

ON THE RESULTS FRONT, OUR DIVISIONS HAVE BEEN WORKING HARD, IMPLEMENTING NEW INITIATIVES AND IMPROVEMENTS, AND DELIVERING SOLID OVERALL RESULTS.

OUR VISION FOR CONTACT CENTRES IS BEING PROGRESSIVELY REALISED WITH SALESFORCE CONTINUING TO GENERATE STRONG GROWTH IN CUSTOMERS, SEATS, REVENUES AND PROFITS. AND THE TREND TOWARDS OUTSOURCING IS SUPPORTIVE OF FURTHER STRONG GROWTH.

IN TARGETED MEDIA, WE ARE PLEASED TO HAVE INCREASED VOLUMES AND REVENUES DESPITE THE LOSS OF THE COLES BRANDS LAST YEAR AND IN A COMPETITIVE MARKET. THIS IS TESTAMENT TO OUR FOCUS ON ENGAGING WITH OUR CUSTOMERS AND IMPROVING OUR MULTI-TIERED TOTAL ACCOUNTABILITY MODEL.

OUR BPO EARNINGS ARE STARTING TO IMPROVE SHOWING THE BENEFITS OF OUR RECENT INVESTMENTS AND FOCUS ON EFFICIENCY AND PRODUCTIVITY. THE TURNAROUND IN THE ASIAN OPERATIONS IS ALSO PLEASING.

FINANCIAL SUMMARY SLIDE

TURNING TO THE FINANCIAL SUMMARY FOR THE YEAR, WE ARE PLEASED TO REPORT THAT GROUP REVENUES BROKE THROUGH THE \$600 MILLION BARRIER FOR THE FIRST TIME WITH GROWTH OF 14.3%, TO \$601.9 MILLION, WITH ALL DIVISIONS CONTRIBUTING.

OUR PROFIT AFTER TAX WAS UP BY NEARLY 70%, BOOSTED BY THE SIGNIFICANT PROFIT ON THE SALE OF THE PHILIPPINES JOINT VENTURE. EXCLUDING SIGNIFICANT ITEMS, THE RESULT IS BROADLY IN LINE WITH LAST YEAR AT \$27.6 MILLION.

THE BOARD HAS DECLARED A FULLY FRANKED FINAL DIVIDEND OF 10.0 CENTS, UP 5.3% ON THE PREVIOUS YEAR, PAYABLE ON 28 SEPTEMBER TO SHAREHOLDERS ON THE REGISTER AT 7 SEPTEMBER.

THIS BRINGS DIVIDENDS FOR THE YEAR TO 18.0 CENTS FULLY FRANKED, AN INCREASE OF 9.1% OVER 2006. IN ADDITION, A SPECIAL DIVIDEND OF 10 CENTS PER SHARE WAS PAID ON 28 MARCH FOLLOWING THE SIGNIFICANT PROFIT ON SALE OF THE PHILIPPINES JOINT VENTURE.

WE HAVE MADE CONSIDERABLE PROGRESS DURING THE YEAR, BOTH STRATEGICALLY AND OPERATIONALLY AND WE ARE WELL PLACED FOR LONGER TERM GROWTH.

OVERALL, IT HAS BEEN A YEAR IN WHICH WE'VE REPORTED STRONG SALES GROWTH, A SOUND OVERALL RESULT, AND ONE WHERE STRATEGIC INITIATIVES HAVE POSITIONED US TO BECOME THE LEADING FORCE IN ONE-TO-ONE COMMUNICATION IN AUSTRALIA.

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

[ASHLEY FENTON]

THANKS PHIL. GOOD MORNING EVERYONE.

GROUP RESULT SLIDE

THIS IS A SOLID RESULT, UNDERPINNED BY ONGOING OPERATIONAL INITIATIVES AND IMPROVEMENTS ACROSS THE GROUP. WE'VE GROWN REVENUES IN ALL DIVISIONS, AND DELIVERED EXCEPTIONAL TOP AND BOTTOM LINE GROWTH IN SALESFORCE. AND WE'VE SEEN ENCOURAGING SIGNS OF GROWTH IN BPO, OFFSET BY A WEAKER RESULT IN TARGETED MEDIA. I'LL TAKE YOU THROUGH THE DIVISIONAL MAKEUP SHORTLY.

SALES REVENUE FOR THE YEAR WAS \$601.9 MILLION, UP 14.3% ON LAST YEAR PRIMARILY THROUGH ORGANIC GROWTH. THIS WAS DRIVEN BY THE PERFORMANCE OF SALESFORCE.

EBITDA WAS UP 3.1% TO \$63.9 MILLION (EXCLUDING SIGNIFICANT ITEMS).

DEPRECIATION INCREASED BY \$1.0 MILLION TO \$17.0 MILLION REFLECTING OUR HIGHER CAPEX SPEND LAST YEAR.

THE 29% INCREASE IN NET INTEREST EXPENSE TO \$5.8 MILLION, REFLECTS THE INCREASE IN AVERAGE DEBT LEVELS OVER THE YEAR. THIS STEMS FROM THE ACQUISITIONS OF VECOMMERCE AND DIALECT IN THE FIRST HALF, OFFSET BY THE PROCEEDS OF THE CLIENTLOGIC SALE, WHICH WERE RECEIVED EARLY IN THE SECOND HALF, NET OF THE SPECIAL DIVIDEND PAID TO SHAREHOLDERS IN MARCH.

OUR TAX EXPENSE WAS IN LINE WITH THE PRIOR YEAR, WITH AN UNDERLYING TAX RATE OF 32%, AS EXPECTED.

NET PROFIT BEFORE SIGNIFICANTS OF \$27.6 MILLION IS IN LINE WITH THE \$27.2 MILLION REPORTED LAST YEAR.

THE FINAL DIVIDEND OF 10.0 CENTS TAKES THE TOTAL DIVIDEND FOR THE YEAR EXCLUDING THE SPECIAL DIVIDEND TO 18.0 CENTS FULLY FRANKED, UP 9%, REPRESENTING A PAY-OUT RATIO OF 74%.

SIGNIFICANT ITEMS

SIGNIFICANT ITEMS FOR THE YEAR, NET OF TAX, TOTALLED A NET PROFIT OF \$16.7 MILLION.

THE \$25 MILLION PROFIT ON THE SALE OF OUR PHILIPPINES JOINT VENTURE WAS RECOGNISED IN THE FIRST HALF, AS WAS A \$4.5 MILLION IMPAIRMENT IN RESPECT OF ASIAN GOODWILL.

INTEGRATION AND RESTRUCTURE COSTS OF \$2 MILLION, RELATING TO THE SET UP OF OUR OPTIMISE PROGRAM HAVE BEEN INCURRED ACROSS THE YEAR. IT IS EXPECTED THAT ANY ONGOING COSTS OF THE PROGRAM WILL BE TREATED AS NORMAL OPERATIONAL COSTS FROM NOW ON.

IN THE SECOND HALF WE EXPENSED \$1.8 MILLION ON DEVELOPING OUR NEW ONLINE ADVERTISING PRODUCT OFFERING. THESE COSTS, WHICH COVER SOFTWARE AND DEVELOPMENT, HAVE BEEN WRITTEN OFF IN LINE WITH OUR USUAL CONSERVATIVE APPROACH TO DEVELOPMENT COSTS.

REVENUE WATERFALL SLIDE

SALES REVENUE GROWTH ACROSS THE GROUP WAS STRONG, UP \$75.1 MILLION OR 14.3% TO \$601.9 MILLION.

MOST OF THE GROWTH CAME FROM SALESFORCE WITH A \$63.7 MILLION OR 35.4% INCREASE IN REVENUE, WHICH YOU CAN SEE ON THIS

GRAPH. THIS WAS PRIMARILY ORGANIC GROWTH FROM BOTH EXISTING AND NEW CUSTOMERS IN OUR CONTACT CENTRES, SUPPLEMENTED BY AN \$8 MILLION CONTRIBUTION FROM VECOMMERCE AND CONTINUING STRONG GROWTH IN DIRECT SALES.

BPO PRODUCED REVENUE GROWTH OF 6.2% OR \$10.3 MILLION, MAINLY DUE TO THE CONTINUING IMPROVEMENTS IN PRINT-ON-DEMAND AND IN OUR ASIAN BUSINESSES.

REVENUES IN TARGETED MEDIA WERE UP SLIGHTLY, A GOOD RESULT IN A COMPETITIVE MARKET WITH IMPROVED PERFORMANCE IN THE SECOND HALF RELATIVE TO LAST YEAR. VOLUMES OF DELIVERIES OF 4.4 BILLION ITEMS WERE UP 2.1% ON LAST YEAR.

EBITA WATERFALL SLIDE

GROUP EBITA WAS, AS EXPECTED, RELATIVELY FLAT ON LAST YEAR WITH GROWTH IN SALESFORCE AND BPO OFFSET BY A WEAKER TARGETED MEDIA RESULT.

THE LARGEST GROWTH CONTRIBUTION CAME FROM SALESFORCE WITH AN EBITA INCREASE OF \$7.7 MILLION FOR THE YEAR, FLOWING

DIRECTLY FROM THE INCREASE IN REVENUES IN THE CALL CENTRE AND DIRECT SALES BUSINESSES.

THE CALL CENTRE BUSINESS SHOWED THE BENEFITS OF STRONG REVENUE GROWTH WITH EBITA INCREASING BY 101.2%.

MARGINS IN CALL CENTRES CONTINUE TO IMPROVE, UP 2.3% TO 7.1%, REFLECTING THE BENEFITS OF SCALE. WE ARE PLEASED WITH THIS PROGRESS TOWARDS OUR GOAL OF A 10% MARGIN, ESPECIALLY IN LIGHT OF THE RAPID GROWTH IN THE BUSINESS AND THE ACCOMPANYING INVESTMENT REQUIRED.

BPO'S EBITA IMPROVED BY 9.0%, WITH MARGINS UP SLIGHTLY REFLECTING IMPROVEMENTS IN PRODUCTIVITY AND IN THE ASIAN BUSINESS. SECOND HALF COSTS WERE HIGHER DUE TO THE DEVELOPMENT COSTS OF OUR "E-SOLUTIONS" WORKFLOW, SCANNING AND IMAGING CAPABILITES.

TARGETED MEDIA'S EBITA RESULT OF \$29.1 MILLION, A DROP OF \$9.4 MILLION OR 24.4% ON THE PRIOR YEAR, WAS IN LINE WITH OUR EXPECTATIONS AND REFLECTS THE SCALE IMPACTS FROM THE LOSS OF THE COLES BRANDS LAST YEAR, COUPLED WITH THE PRICE IMPACTS OF A COMPETITIVE MARKET AND INCREASED COSTS OF DELIVERY.

AND CORPORATE COSTS ARE LOWER AS A RESULT OF OUR CONTINUING FOCUS ON COST SAVING INITIATIVES.

CASH FLOW SLIDE

OPERATING CASH FLOW WAS UP 14.2% TO \$32.1 MILLION, REFLECTING INCREASED EARNINGS AND IMPROVEMENTS IN WORKING CAPITAL CONTROL, PARTICULARLY IN THE SECOND HALF.

CAPITAL EXPENDITURE OF \$15.9 MILLION WAS \$10.8 MILLION LOWER THAN LAST YEAR – A YEAR OF HIGHLY INTENSIVE INVESTMENT. YOU CAN SEE THIS AS A SPIKE IN THIS GRAPH.

FLICK TO CAPITAL EXPENDITURE GRAPH

AS A PERCENTAGE OF SALES CAPEX REPRESENTED 2.6% WHICH WAS LOWER THAN EXPECTED.

GIVEN THE INCREASED SIGNIFICANCE OF THE LOWER CAPITAL INTENSIVE SALESFORCE BUSINESS WITHIN THE COMPANY, OUR TARGET CAPEX RANGE IS NOW AROUND 3.0% - 4.0% OF SALES.

BACK TO CASH FLOW SLIDE

THE \$28.4 MILLION PROCEEDS FROM THE SALE OF OUR SHARE OF THE PHILIPPINES JOINT VENTURE WERE RECEIVED IN FEBRUARY AND JOINT VENTURE LOANS OF \$4.9 MILLION WERE ALSO REPAID DURING THE FIRST HALF AS A CONDITION OF THE SALE.

PAYMENTS OF \$31.8 MILLION FOR ACQUISITIONS RELATE MAINLY TO THE VECOMMERCE AND DIALECT ACQUISITIONS, BOTH COMPLETED IN THE FIRST HALF.

DEVELOPMENT COSTS OF \$2.4 MILLION RELATE TO OUR NEW DIGITAL ADVERTISING SOLUTION, LASOO.COM.AU

DIVIDENDS, OF \$32.3 MILLION, ARE SIGNIFICANTLY HIGHER THAN LAST YEAR DUE TO THE SPECIAL DIVIDEND, OF \$11.8 MILLION PAID ON 28 MARCH 2007.

NET DEBT AT 30 JUNE WAS \$83.7 MILLION, REPRESENTING A NET DEBT:EQUITY RATIO OF 68.9% AND GEARING OF 40.8%.

ANNUALISED INTEREST COVER, AT AROUND 11 TIMES, CALCULATED ON THE EBITDA LINE, WAS STRONG. AND OUR RETURN ON CAPITAL WAS HIGHER THAN LAST YEAR AT 30%.

AFTER CONCLUSION OF THE HPA OFFER LATER THIS CALENDAR YEAR, WE EXPECT THE ENLARGED SALMAT TO REMAIN CONSERVATIVELY GEARED, WITH NET DEBT OF AROUND \$275 MILLION, A DEBT TO EBITDA RATIO OF LESS THAN 3 TIMES AND INTEREST COVER OF AROUND 5 TIMES.

I WILL NOW HAND OVER TO PETER MATTICK, WHO WILL REVIEW THE OPERATIONAL ASPECTS OF THE DIVISIONS AND THE STRATEGIES WE HAVE TO MOVE THEM FORWARD.

[PETER MATTICK]

THANKS, ASHLEY. GOOD MORNING, EVERYONE.

TARGETED MEDIA SLIDE

STARTING WITH THE TARGETED MEDIA BUSINESS.

TARGETED MEDIA HAS HAD A TOUGH YEAR FOLLOWING THE LOSS OF THE COLES BRANDS AT THE START OF THE YEAR AND DEALING WITH A COMPETITIVE MARKET, AND THE RESULTS REFLECT THIS.

ON THE UPSIDE, IT IS PLEASING THAT WE HAVE MANAGED TO POST A SMALL INCREASE IN BOTH VOLUMES AND REVENUES FOR THE YEAR – NO MEAN ACHIEVEMENT. THIS REFLECTS CONSIDERABLE SUCCESS IN SECURING NEW BUSINESS WHICH HAS COME FROM OUR ONGOING STRATEGY OF TARGETING NON-TRADITIONAL USERS TO THE MEDIUM, NEW CUSTOMERS, AS WELL AS FROM THE BENEFITS OF IMPROVEMENTS MADE TO OUR OVERALL CUSTOMER PROPOSITION AND GREATER ACCOUNTABILITY FOR DELIVERY.

AS PART OF OUR CONSTANT DIALOGUE WITH OUR CUSTOMERS, AND LISTENING TO THEIR SPECIFIC NEEDS, FURTHER ENHANCEMENTS OF

OUR MULTI-TIERED TOTAL ACCOUNTABILITY MODEL HAVE BEEN ROLLED OUT ACROSS ALL LOCATIONS. CUSTOMER REACTION HAS BEEN VERY POSITIVE WITH A NUMBER OF GOOD WINS AS A RESULT. OUR CUSTOMERS TELL US THAT IT TAKES THE MYSTERY OUT OF THE DISTRIBUTION PROCESS. THEY HAVE REAL TIME VISIBILITY OF HOW MANY CATALOGUES HAVE BEEN DELIVERED AND HOW MANY HAVE BEEN AUDITED. THIS TANGIBLE REPORTING GIVES THEM REAL COMFORT IN THE DELIVERY PROCESS.

CUSTOMER TAKEUP OF THE NEW TECHNOLOGICAL AND PROMOTIONAL CAPABILITIES OF DIALECT INTERACTIVE IS INCREASING. AN EXAMPLE IS THE DELIVERY OF THE SMS MESSAGING SOLUTION TO SALESFORCE CALL CENTRES DURING THE 2006 CENSUS PROJECT WHERE WE MANAGED ONE OF THE LARGEST EVER SMS BROADCASTS IN AUSTRALIAN CORPORATE HISTORY, DELIVERING OVER 1.4 MILLION SMS MESSAGES. IN TARGETED MEDIA WE LAUNCHED INTEGRATED SALES PROMOTIONS BETWEEN SMS, IVR, WEB AND CATALOGUES FOR MAJOR RETAILERS ACROSS AUSTRALIA.

OUR FOCUS ON INNOVATION HAS BROUGHT IMPROVEMENTS TO OUR TARGETING TOOLS, IN PARTICULAR IMPROVED MAPPING. THE ULTIMATE AIM IS TO HELP OUR CUSTOMERS MAXIMISE THEIR RETURN ON INVESTMENT. THEY RECEIVE A BETTER RESPONSE RATE PER

CATALOGUE AND BETTER VALUE FOR MONEY FOR THEIR ADVERTISING DOLLAR AS THEIR CAMPAIGNS BECOME MORE TARGETED.

LAST WEEK WE ANNOUNCED A PROPOSED 50/50 JOINT VENTURE WITH NEW ZEALAND POST IN UNADDRESSED MAIL IN THE NEW ZEALAND MARKET. IT IS SUBJECT TO APPROVAL BY THE NEW ZEALAND COMMERCE COMMISSION, WHICH COULD TAKE 2-3 MONTHS. THE JOINT VENTURE WILL COMBINE THE STRENGTHS OF THE CURRENT BUSINESSES WHILE REALISING A NUMBER OF OPERATING EFFICIENCIES AND NETWORK SYNERGIES.

THE AUSTRALIAN INDUSTRY OUTLOOK REMAINS COMPETITIVE, OVERLAYED WITH A CONTINUING SOFT ADVERTISING MARKET. HOWEVER, THE ENVIRONMENT IS STRONGER THAN IT WAS 12 MONTHS AGO WHEN WE SAW A DEGREE OF IRRATIONALITY IN PRICING. OUR FOCUS WILL BE ON SECURING RATE CARD INCREASES IN THE COMING YEAR.

LASOO SLIDE

I'M VERY EXCITED ABOUT THE NEW DIGITAL ADVERTISING PRODUCT WE'VE DEVELOPED AND BELIEVE IT WILL HAVE A PROMINENT PLACE IN THE "NEW MEDIA" OF EMERGING ONLINE ADVERTISING.

TOMORROW WE WILL BE LAUNCHING LASOO.COM.AU AND OUR OTHER ONLINE ADVERTISING PRODUCTS.

TODAY MANY OF THE RETAILERS' POTENTIAL CUSTOMERS ARE ON THE INTERNET, MAKING PRE-PURCHASE DECISIONS. BUT A LARGE PROPORTION OF THE RETAILERS' ADVERTISING IS IN THE MASS MEDIA SPACE. THOSE POTENTIAL CUSTOMERS ARE MAKING DECISIONS USING THE INTERNET IN THE ABSENCE OF THE RETAILER'S BRAND, OFFERS OR MARKETING MESSAGES.

ONLY A SMALL FRACTION OF THOSE CUSTOMERS ACTUALLY FIND THE RETAILERS' OWN SITES AND THOSE WHO DO, GENERALLY LEAVE UNSATISFIED.

THE EASIEST WAY TO LOOK AT THIS IS, IF YOU THINK OF JOBS, YOU MIGHT GO TO SEEK.COM.AU; OR REAL ESTATE, DOMAIN.COM; OR MOTOR VEHICLES, CARSALES.COM; BUT FOR RETAIL, THERE'S NOTHING THAT COMES INSTANTLY TO MIND. NOW FOR RETAIL THERE'S LASOO, A WEB TO STORE STRATEGY WHICH PUSHES SHOPPERS TO RETAIL BRICKS AND MORTAR OUTLETS.

SALMAT'S THREE NEW DIGITAL SERVICES COMBINED ENSURE THAT OFFLINE MESSAGES ARE DELIVERED ONLINE TO THE 5 MILLION AUSTRALIANS USING THE INTERNET FOR THEIR PRE-PURCHASE DECISIONS. THEY INCREASE THE REACH, THE FREQUENCY AND THE LONGEVITY OF ADVERTISING CAMPAIGNS. IN BRIEF, THE THREE SERVICES ARE:

- DYNAMIC CATALOGUE – WHICH IS A FULLY HOSTED AND MANAGED CATALOGUE SOLUTION FOR THE RETAILER'S OWN WEBSITE. IT MAKES THEIR CATALOGUES SEARCHABLE, BROWSABLE, FAST LOADING, LEGIBLE AND ACTIONABLE.
- DYNAMIC AD – WHICH ARE ONLINE CATALOGUES ON TARGETED THIRD PARTY WEBSITES; AND
- LASOO.COM.AU – LASOO IS AN AGGREGATED INTERNET SITE THAT IS FULLY SEARCHABLE AND BROWSABLE BY PRODUCT AND AREA FOR CONSUMERS TO QUICKLY FIND WHAT THEIR LOCAL RETAILERS ARE PROMOTING.

WE ARE VERY EXCITED ABOUT THESE NEW INITIATIVES AND WE ARE ENCOURAGED BY THE FANTASTIC INITIAL TAKEUP BY OUR RETAIL CUSTOMERS, INCLUDING MAJOR DEPARTMENT STORES, ELECTRONICS, JEWELLERY, HARDWARE, WHITE GOODS AND OTHER RETAILERS. THE SITE WILL GO LIVE SHORTLY.

MOVING ON NOW TO SALESFORCE.

SALESFORCE SLIDE

SALESFORCE HAS HAD ANOTHER STRONG YEAR ACROSS THE BOARD AND IS A MAJOR ELEMENT OF OUR GROWTH STRATEGY.

THE GROWTH HAS EXCEEDED OUR EXPECTATIONS.

DURING THE YEAR WE'VE GROWN OUR AVAILABLE SEATS BY 41% TO 3,878 AS A RESULT OF EXPANDING OPERATIONS IN SYDNEY, MELBOURNE AND AUCKLAND, AND OPENING A NEW CALL CENTRE IN GEELONG.

DESPITE ADDING OVER 600 SEATS IN THE SECOND HALF OF THE YEAR, OUR UTILISATION LEVELS STAND AT AROUND 80% AND ANY SIGNIFICANT NEW CONTRACT WINS WILL REQUIRE US TO ADD FURTHER SEATS.

DURING THE YEAR SALESFORCE AGAIN WON THE HEWITT AWARD FOR THE BEST EMPLOYER IN AUSTRALIA AND NEW ZEALAND – FOR THE THIRD YEAR RUNNING. SALESFORCE IS THE FIRST AND ONLY COMPANY

TO HAVE ACHIEVED THIS ACCOLADE – A TESTAMENT TO THE STRONG CULTURE THAT IS SO CRITICAL IN RUNNING A REAL PEOPLE BUSINESS.

WE'RE ALSO PLEASED TO SEE THE SUSTAINED IMPROVEMENT IN OUR CALL CENTRE EBITA MARGIN, UP 2.3% TO 7.1%, AGAIN IN A YEAR WHEN WE'VE EXPANDED OUR INFRASTRUCTURE.

SALESFORCE GROWTH DRIVERS SLIDE

OUR MARKET LEADING RANGE OF PRODUCTS AND INCREASED SCALE PROVIDE POTENTIAL CUSTOMERS WITH THE SOLUTIONS AND CONFIDENCE THEY NEED TO BE COMFORTABLE IN HANDING OVER THEIR CALL CENTRE OPERATIONS TO US.

THE ADDITION OF VECOMMERCE'S AUTOMATED SPEECH VERIFICATION SOLUTION AND THE DEVELOPMENT OF OUR NEW @HOME MODEL ENABLES OUR CUSTOMERS TO CHOOSE THE APPROPRIATE LEVEL OF SERVICE DEPENDING ON THE RISK AND COMPLEXITY OF THEIR OPERATIONS.

AS YOU CAN SEE ON THIS CHART, HIGHLY COMPLEX AND PRIVATE WORK CAN BE HANDLED BY OUR SPECIALISED METROPOLITAN CALL CENTRES WHILST AT THE OPPOSITE END OF THE SCALE,

COMPARATIVELY SIMPLE, INFORMATION ONLY TASKS CAN BE HANDLED BY OUR FULL SELF SERVICE SOLUTION. IN THE MIDDLE OF THIS IS OUR NEW “@HOME” MODEL, WHICH IS NOW FULLY OPERATIONAL WITH 100 SEATS COMING ONLINE BY THE END OF NEXT MONTH, AND FOR LOWER COST SOLUTIONS WE CAN TAKE CUSTOMERS TO REGIONAL CENTRES OR OFFSHORE.

THE OUTSOURCED CALL CENTRE MARKET HAS GROWN TO 16.5% AND WE BELIEVE THAT THIS TREND WILL CONTINUE, FOLLOWING THE LEAD OF ESTABLISHED OVERSEAS MARKETS.

WE ARE CLEARLY THE MARKET LEADER IN THE OUTSOURCED SEGMENT WITH APPROXIMATELY 22% MARKET SHARE.

BUSINESS PROCESS OUTSOURCING SLIDE

IT'S BEEN AN ENCOURAGING YEAR FOR BPO WITH SOLID GROWTH IN SALES, AND PROFITABILITY IMPROVEMENTS BROUGHT ABOUT BY OUR INVESTMENTS AND FOCUS ON PRODUCTIVITY AND EFFICIENCY AS WELL AS COMMERCIALISING OUR NEW “E-SOLUTIONS” PRODUCT SUITE.

THE ASIAN TURNAROUND CONTINUES TO GAIN MOMENTUM, DRIVEN BY NEW CUSTOMERS COMING ON LINE, ALONG WITH EFFICIENCY GAINS

BROUGHT ABOUT BY OUR RESTRUCTURING AND REINVESTMENT. OUR HONG KONG RESULT HAS BEEN PARTICULARLY PLEASING WITH AN EBITDA POSITIVE RESULT.

INNOVATION HAS BEEN IMPORTANT IN BPO WITH THE ENHANCEMENT OF "E-SOLUTIONS", OUR WORKFLOW, SCANNING AND IMAGING PRODUCTS. WE ALSO NOW BOAST A NATIONAL CAPABILITY IN OUR PRINT ON DEMAND BUSINESS AFTER SMALL ACQUISITIONS IN WA AND SA.

THE WORK WE HAVE DONE TO STREAMLINE THIS OPERATION ACROSS ALL LOCATIONS IS STARTING TO SHOW RETURNS AND POSITIONS THIS BUSINESS FOR INTEGRATION WITH HPA.

HPA UPDATE SLIDE

OUR RECENTLY ANNOUNCED OFFER FOR HPA IS A COMPELLING MARKET RESTRUCTURE OPPORTUNITY THAT WILL RESULT IN SIGNIFICANT BENEFITS FOR SHAREHOLDERS, STAFF AND CUSTOMERS. THIS IS OBVIOUSLY A KEY FOCUS AREA FOR US RIGHT NOW.

THE TWO BUSINESSES HAVE STRONG STRATEGIC AND CULTURAL ALIGNMENT AND WE EXPECT VALUE CREATION VIA EFFICIENCIES AND SYNERGIES.

THE ACQUISITION WILL BE FUNDED BY A COMBINATION OF SCRIP AND DEBT AND IS EXPECTED TO BE MODESTLY EPS ACCRETIVE IN FY08 AND STRONGLY EPS ACCRETIVE IN ITS FIRST FULL YEAR OF OWNERSHIP IN FY09.

WE EXPECT HPA SHAREHOLDERS TO VOTE ON THE SCHEME OF ARRANGEMENT IN MID-OCTOBER AND ALL GOING WELL, WE WILL COMPLETE AT THE END OF THAT MONTH.

SUMMARY SLIDE

IN SUMMARY, OUR PERFORMANCE THIS YEAR HAS BEEN STRONG, WITH REVENUE BREAKING THROUGH THE \$600 MILLION MARK FOR THE FIRST TIME AND NET PROFIT AFTER TAX UP BY NEARLY 70%.

OF FAR GREATER SIGNIFICANCE, HOWEVER, ARE THE MAJOR STRATEGIC STEPS TAKEN DURING THE YEAR, CULMINATING IN THE RECOMMENDED OFFER FOR HPA. COLLECTIVELY THESE ACTIONS WILL ENHANCE OUR

LONG TERM GROWTH PROSPECTS AND MAKE US A FAR STRONGER COMPANY.

IT'S TOO EARLY TO BE TALKING ABOUT THE CURRENT YEAR'S OUTLOOK WITH ONLY A MONTH AND A HALF GONE. AS USUAL, WE'LL TALK MORE ABOUT MARKET CONDITIONS AND TRADING AT OUR ANNUAL GENERAL MEETING IN NOVEMBER, BY WHICH TIME THE HPA ACQUISITION SHOULD HAVE BEEN COMPLETED.

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

DISCLAIMER

COMPANY ANNOUNCEMENTS CAN CONTAIN FORWARD-LOOKING STATEMENTS. WORDS SUCH AS "BELIEVE", "ANTICIPATE", "PLAN", "EXPECT", "INTEND", "TARGET", "ESTIMATE", "PROJECT", "PREDICT", "FORECAST", "GUIDELINE", "SHOULD", "AIM" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS BUT ARE NOT THE EXCLUSIVE MEANS OF IDENTIFYING SUCH STATEMENTS.

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.