

Full Year Results to 30 June 2010

27 August 2010

Disclaimer

Company announcements and presentations 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.

Agenda

1. Full year highlights
2. Financial performance
3. Business unit review
4. 2011 strategy and outlook

Full Year Highlights

Grant Harrod

Chief Executive Officer and Managing Director

Financial Summary

Item	Movement
Normalised revenue	Up 1.0% to \$878.8 million
EBITA (before significant items)	Up 17.3% to \$91.2 million
Net profit after tax	Up 42.5% to \$49.1 million
Free cash flow	Up 14.7% to \$72.0 million
Earnings per share	Up 43.3% to 31.1 cents per share
Full year dividend	Up 17.5% to 23.5 cents per share
Special dividend	10.0 cents per share
Total dividend	Up 67.5% to 33.5 cents per share

Full Year Highlights

- ↻ Momentum building for 'One Salmat' strategy
- ↻ Solid earnings growth, increased dividend and special dividend
- ↻ Strong cash position and reduced debt
- ↻ Further cost efficiencies driving margin improvement
- ↻ Focus on employee and community engagement
- ↻ Platform established for next chapter of growth

Business Scorecard Update

2010 Objectives

Fully realise remaining HPA synergies in BPO business

Solid trading for TMS, supported by retail catalogue activity and improvements in Lasoo

Bring CCS profit growth in line with revenue growth in spite of continued cost pressures

\$85-90 million EBITA before significant items

Result



Outcomes

2010 synergy targets have been realised. Site and systems integrations continue.

TMS achieved higher volumes, revenue and EBITA. Lasoo made substantial ground in both top and bottom line growth.

CCS EBITA impacted softer market conditions, product mix and delays in new business.

Exceeded EBITA guidance, posting full year result of \$91.2 million.

Financial Performance

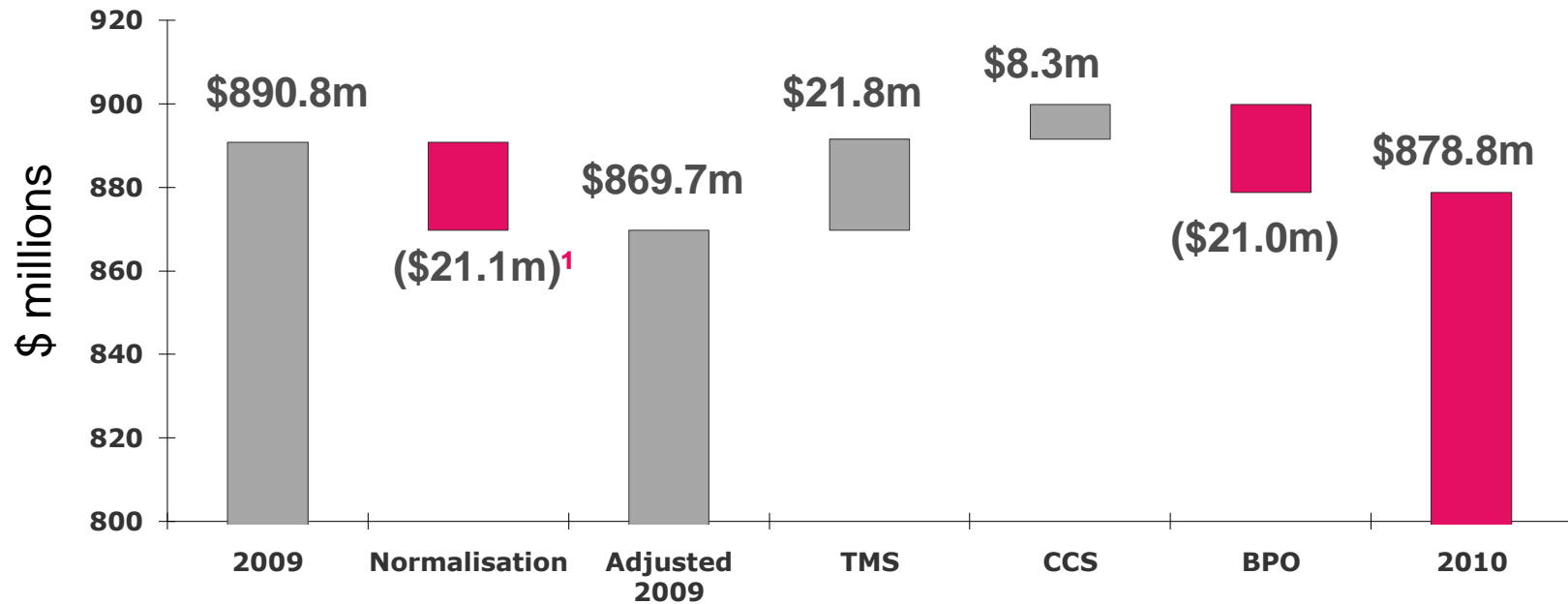
Chad Barton

Chief Financial Officer

Group Result for Year Ended 30 June 2010

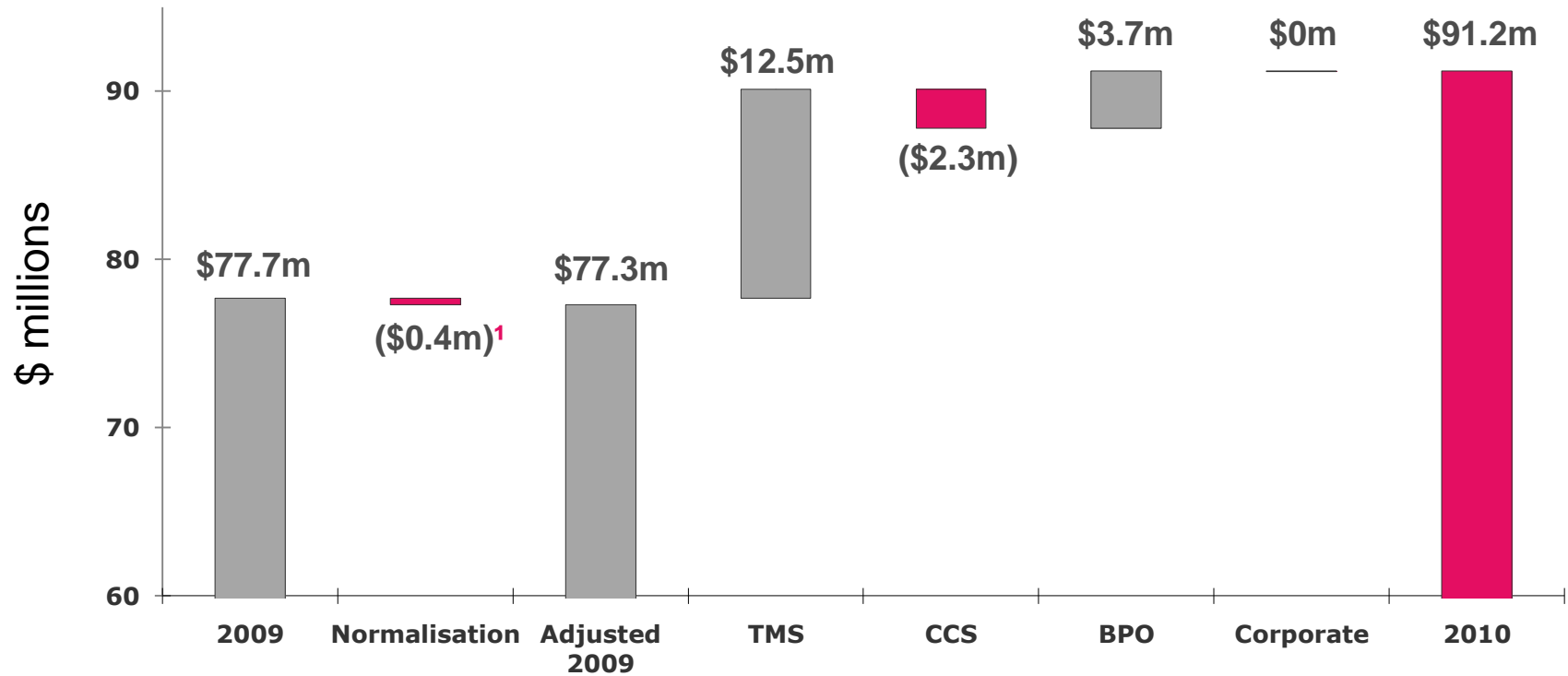
\$ million	2010	2009	% change
Normalised revenue	878.8	869.7	+ 1.0%
Reported revenue	878.8	890.8	- 1.3%
EBITDA	113.0	101.4	+ 11.5%
Depreciation	(21.8)	(23.7)	
EBITA	91.2	77.7	+ 17.3%
Amortisation	(10.5)	(11.8)	+ 11.0%
Net Interest	(12.9)	(18.0)	+ 28.3%
Tax expense	(20.4)	(14.9)	- 36.9%
Profit before significant items	47.4	33.0	+ 43.8%
Net significant items	1.7	1.5	
Net profit after tax	49.1	34.5	+ 42.5%
Earnings per share	31.1	21.7	+ 43.3%
Total dividend (cents)	33.5	20.0	+ 67.5%

Underlying Revenue Growth



¹ FX impact \$4.2m, net pass through telecommunications \$15.1m and exited businesses \$1.8m

Underlying EBITA* Growth



* Before significant items ¹ FX impact \$0.2m, and exited businesses \$0.2m

Balance Sheet

\$ million	2010	2009	% change
Current assets	187.8	174.3	+ 7.7%
Fixed assets	47.8	50.0	- 4.4%
Goodwill	365.1	365.0	-
Other	56.6	67.8	- 16.5%
Total assets	657.3	657.1	-
Current liabilities	146.6	137.2	+ 6.8%
Non-current liabilities	214.3	238.7	- 10.2%
Total liabilities	360.9	375.9	- 4.0%
Equity	296.4	281.2	+ 5.4%

Cash Flow

\$ million	2010	2009	% change
Net operating cash flow	84.9	80.9	+ 5.0%
Cash capital expenditure	(12.9)	(18.0)	- 28.7%
Free cash flow	72.0	62.9	+ 14.7%
Other	0.9	(0.4)	NMF
Proceeds from sale of PPE	0.1	24.0	NMF
Dividends paid	(34.9)	(31.0)	+ 12.8%
Net repayment of borrowings	(23.0)	(47.0)	- 51.1%
Net cash movement	15.1	8.5	+ 77.0%
Net debt	134.3	167.5	- 19.8%

Net Debt Position

- Improved \$33.2 million from \$167.5 million to \$134.3 million
- Significant reduction from pre-acquisition gearing of 61.5% in November 2007 to 31.2% by 30 June 2010
- Overall reduction in net debt achieved through strong cash flow and working capital management (previous year reduction benefited from \$24.0 million one-off income from asset sales)
- Higher earnings assisted operating cash flow
- No change to loan facilities (refinanced December 2009)

Capital Expenditure

- ↻ Total capital expenditure at 2.4% of sales

- ↻ Lower cash capital expenditure than previous year:
 - Use of finance leases rather than upfront cash outlay
 - Some capital expenditure budgeted for site relocations deferred to next financial year

- ↻ Higher capital expenditure next year:
 - Investment in BPO print platform
 - New facilities in Victoria for BPO and TMS

Key Ratio Table

	2010	2009	Basis points variance
EBITDA (pre significant) margin	12.9%	11.4%	+ 150
EBITA (pre significant) margin	10.4%	8.7%	+ 170
NPAT margin	5.6%	3.9%	+ 170
EPS accretion	43.3%	141.1%	NMF
Dividend yield	8.6%	5.2%	+ 340
Return on capital employed	18.6%	14.5%	+ 410
Gearing	31.2%	37.3%	- 610
Interest coverage ratio (rolling)	8.7%	5.6%	+ 310

Key Production Volumes

	2010	2009	% change
Catalogue volumes	>5 billion	>4.5 billion	Up 11%
Interactive email	>154 million	>64 million	Up 141%
Interactive SMS normalised	>14.7 million*	>12.7 million	Up 15.7%
Lasoo visits	>14 million	>10.5 million	Up 33%
Lasoo product searches	>57 million	>18 million	Up 207%
Mail packs	>1.21 billion	>1.27 billion	Down 5%
Electronic delivery services	>47 million	>25 million	Up 86%
Call centre operators	3,523	3,290	Up 7%

* Normalised due to regulatory change in PSMS.

Business Unit Review

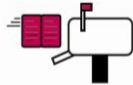
Grant Harrod

Chief Executive Officer and Managing Director

Targeted Media Solutions



Customer targeting



Letterbox distribution



Digital



Interactive



lasoo.com.au



salmat

Targeted Media Solutions – Financial Performance

\$ million	2010	2009	% change
Sales revenue	230.6	225.7	+ 2.1%
<i>Adjusted revenue¹</i>	230.6	208.8	+ 10.4%
EBITA pre significant items	40.3	27.9	+ 44.3%
Margin	17.5%	13.4%	

¹FY09 adjusted for pass-through telecommunications (revenue \$15.1m) and exited businesses (revenue \$1.8m)

Targeted Media Solutions – Scorecard Update

2010 Objectives

Anticipate letterbox volumes to remain stable. Focus on enhancing client value by leveraging unique delivery capability and service suite.

Continue to evolve Lasoo as the premier pre-shop portal.

Interactive services (SMS and email) enjoy strong support as retailers embrace mobile technology.

Multi-channel capability provides unique opportunity for clients to consolidate communication strategy.

Result



Outcomes

Volumes grew and new operational initiatives improved service efficiency and engagement.

Exponential increase in revenue. Significant growth in consumer metrics.

Significant uplift in volumes.

Positive client response to multi-channel offering. Market trends support multi-channel strategy.

Customer Contact Solutions



Contact centre solutions



Speech solutions



Field and retail kiosk



Learning and development solutions



Consulting and support services

Customer Contact Solutions - Financial Performance

\$ million	2010	2009	% change
Sales revenue	304.8	294.2	+ 3.6%
<i>Adjusted revenue¹</i>	302.5	294.2	+ 2.8%
EBITA pre significant items	20.0	21.8	- 8.1%
Margin	6.6%	7.4%	

¹ Adjusted for DHQ impact in FY10 (revenue -\$2.3m)

Customer Contact Solutions – Scorecard Update

2010 Objectives

Industry growth plus low market share provides continued growth opportunity

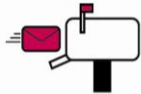
SLM is ideally positioned as leading Australian-domiciled contact centre provider with increasing trend towards on-shoring

New businesses including learning and development solutions, speech solutions and field and retail kiosk sales strengthen model and provide growth opportunities

Result Outcomes

- Call centre and learning business revenue growth. Field sales and speech solutions down on prior year.
- Remain leading outsourced provider in Australia with unmatched local capability. Call centre revenue up more than 7% on prior year.
- Delays in implementing new business won and a softer retail environment impacted sales growth in speech, learning and field sales.

Business Process Outsourcing



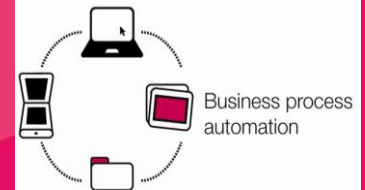
Transactional and
direct marketing
services



e-Solutions



Print on demand



Business process
automation



salmat

Business Process Outsourcing - Financial Performance

\$ million

	2010	2009	% change
Sales revenue	343.4	370.8	- 7.4%
<i>Adjusted revenue</i> ^{1,2}	345.7	366.6	- 5.7%
EBITA pre significant items	44.2	41.3	+ 7.1%
<i>Margin</i>	12.8%	11.3%	

¹ Adjusted for DHQ impact in FY10 (revenue \$2.3m)

² Adjusted for FX impact in FY09 (revenue -\$4.2m)

Business Process Outsourcing – Scorecard Update

2010 Objectives

Anticipate print and mail volumes to remain flat, discretionary mail to track down in line with macro environment.

Continued focus on extracting further efficiencies via integration and optimisation.

Expand focus into workflow management and document management solutions.

New Philippines infrastructure further strengthens BPO services.

Opportunity to capitalise on unique data analytics skills and establish additional income stream.

Result Outcomes



Volumes down on previous year. Do not anticipate same rate of decrease continuing.



Good gains from synergy benefits and efficiency focus.



Strategy significantly underway but still in progress.



Very pleased with performance and will continue to draw on this facility.



Created centre of excellence by consolidating all data analytics skills into one centre under TMS.

2011 Strategy and Outlook

Growth Strategy

- ↻ Continue to drive 'One Salmat' strategy
- ↻ Accelerate emerging digital businesses and further consolidate our market leadership position in each segment
- ↻ Develop new solutions and expand into new markets such as Small to Medium Enterprise (SME) space
- ↻ Identify further opportunities to improve business efficiency
- ↻ Strategic acquisition opportunities

Lasoo.com.au

☞ Today, Australia's premier online pre-shopping site.



Lasoo Investment

- FY10 performance exceeds expectation.
- Online channel becoming the leading media influence on retail purchases.
- Unique opportunity to accelerate development of Lasoo.
- Forecasting compelling returns.

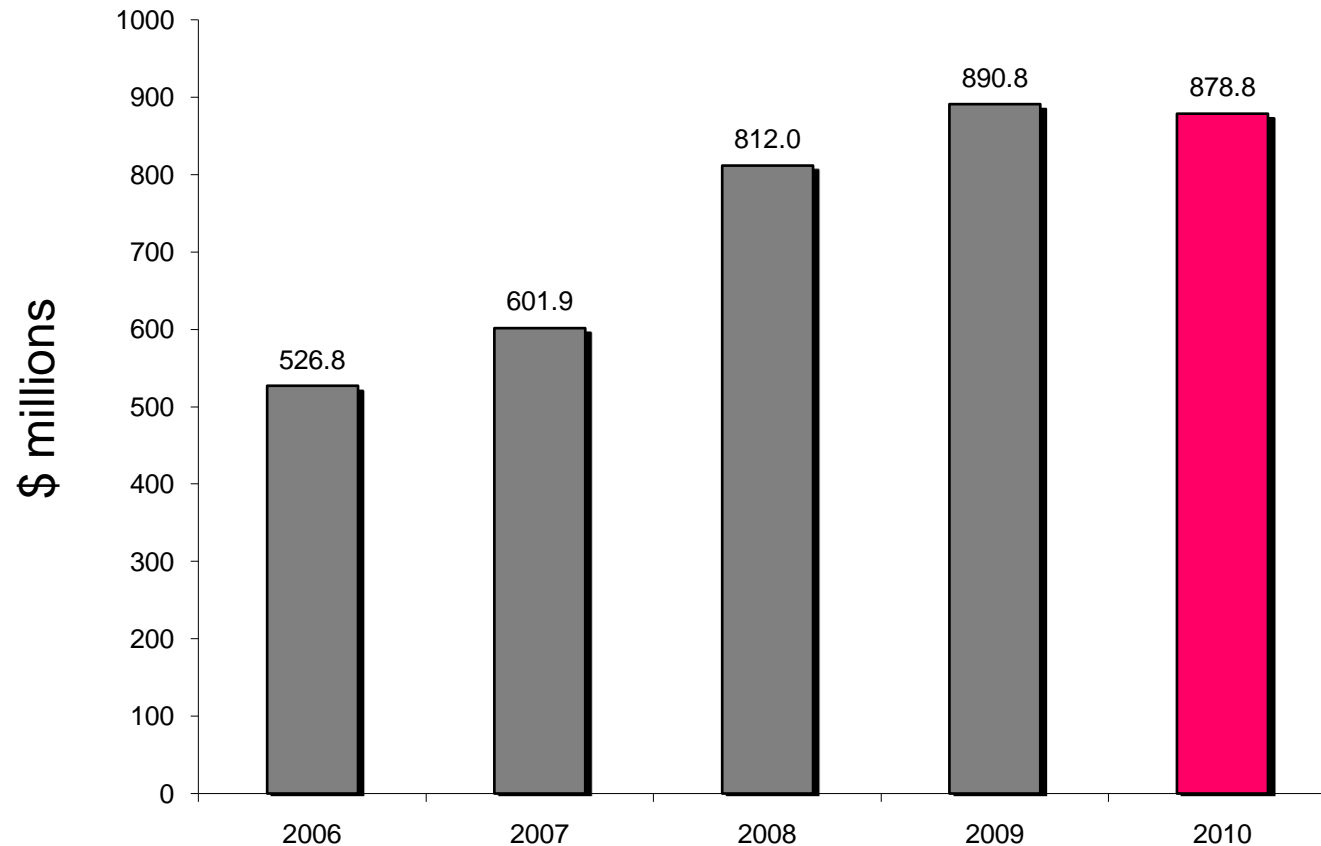
Outlook

- Anticipate macro environment to strengthen in 2011, particularly in retail categories
- Portfolio of resilient business activities
- Well-positioned with One Salmat strategy to capitalise on growth opportunities
- Strong acquisition pipeline
- Further update at the AGM in November

Thank you

Appendices

Sales Revenue – Five Year Comparison



Divisional Summary

\$ million

Sales revenue:

Targeted Media Solutions

230.6 **225.7** **+ 2.1%**

Customer Contact Solutions

304.8 **294.2** **+ 3.6%**

Business Process Outsourcing

343.4 **370.8** **- 7.4%**

Group sales revenue

878.8 **890.8** **- 1.3%**

EBITA before significant items:

Targeted Media Solutions

40.3 **27.9** **+ 44.3%**

Customer Contact Solutions

20.0 **21.8** **- 8.1%**

Business Process Outsourcing

44.2 **41.3** **+ 7.1%**

Corporate

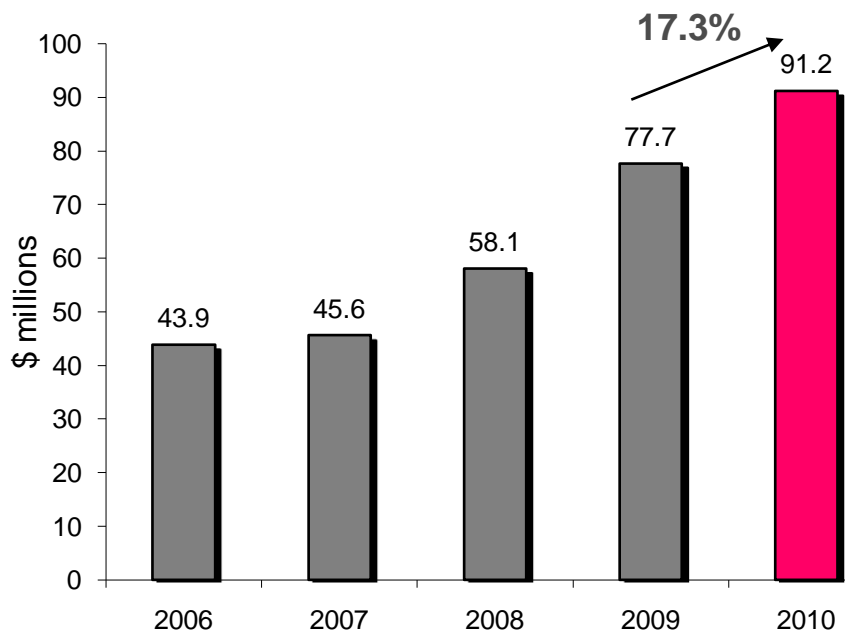
(13.3) **(13.2)** **+ 0.4%**

Group EBITA before significant items

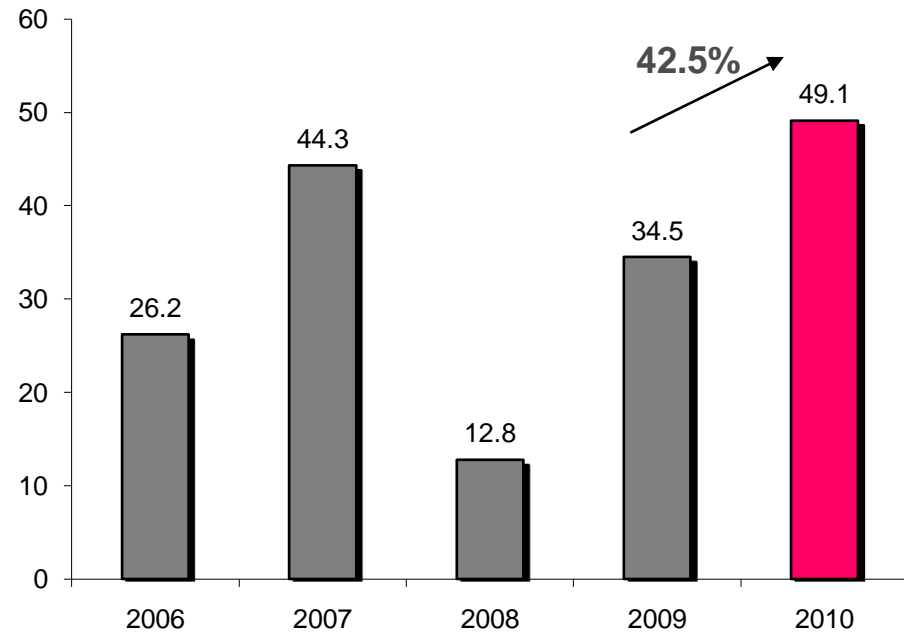
91.2 **77.7** **+ 17.3%**

EBITA and NPAT – Five Year Comparison

EBITA (pre significant items)



NPAT



Total Capital Expenditure as a Percentage of Sales

