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ASX ANNOUNCEMENT / MEDIA RELEASE

Salmat invests \$75.3 million in enhanced digital and interactive offering

Acquires Photon's C4 Communications, Be.Interactive, MessageNet and Returnity

Transaction Highlights:

- Salmat announces acquisition of four digital and interactive businesses for \$75.3 million
- In line with Salmat's strategy to grow its digital and interactive businesses and strengthen its multi-channel communication model
- Expected revenue contribution of approximately \$50 million in annualised gross revenue
- Funded via an extension of Salmat's senior debt facilities

Salmat Limited (SLM.ASX) today announced that it has entered into an agreement with Photon Group Limited (PGA.ASX) to acquire four leading Australian digital and interactive businesses for a cash consideration of \$75.3 million, with an additional \$15.7 million capped performance hurdle payment to be made based on achievement of agreed performance milestones by 30 June 2011.

This portfolio acquisition is in line with Salmat's multi-pronged growth strategy to expand its emerging digital and interactive businesses and strengthen its multi-channel communication model. The portfolio businesses represent a combination of complementary fold-in and new expanded services for Salmat's existing Targeted Media Solutions (TMS) division.

The portfolio of four businesses ("the portfolio") to be acquired include:

- **C4 Communications** – a leading digital and experiential media services company, providing innovative web development, e-business strategy, e-commerce, retail kiosks and digital mobile marketing
- **Be.Interactive** – an interactive and mobile marketing agency creating promotional advertising campaigns using SMS, IVR, mobile phone, digital and 1900 premium rate products
- **MessageNet** – a leader in business SMS communications technology that supports 50 percent of the BRW Top 100 companies
- **Returnity** – a leader in email marketing and supporting digital and database services

Overall, the transaction will bolster Salmat's existing offering, expand its activities into the high growth digital and interactive markets and provide valuable cross-sell opportunities. It will also further consolidate Salmat's market leadership position in multi-channel marketing communications.

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“These are high quality businesses with unique services and capabilities, recognised as innovation leaders in the digital and interactive marketplace. The respective businesses hold deep longstanding client relationships across an impressive list of blue chip organisations, presenting a fantastic opportunity to drive revenue growth with an integrated service offering across our collective client bases,” said Chief Executive Officer, Grant Harrod.

“The digital and interactive channels - linked closely into the rapid proliferation of mobile technology devices, social, interactive services and online retail solutions - are exciting new platforms that present B2C marketers with a targeted channel to communicate with their customers,” said Mr Harrod.

Transaction overview

Salmat has acquired these four businesses for a purchase price of \$75.3 million. An additional capped performance hurdle of \$15.7 million will be made to Photon conditional on the achievement of outperformance milestones by 30 June 2011.

Financial impact

The combined portfolio of businesses is expected to contribute annualised gross revenue of approximately \$50 million and EBITDA of \$8.4 million, with further revenue expansion and technology synergies across all four companies. Cumulative EBITDA synergies by year three are forecasted to be in excess of \$5 million. On this basis, Salmat expects the acquisition will be EPS accretive in FY11 (excluding amortisation and one off transaction costs) and over 5% accretion within FY12.

Funding arrangements

The acquisition is fully term debt funded. A new four year tranche has been added to Salmat’s existing bilateral finance facilities to fund the acquisition with \$75.3 million to be drawn initially. Salmat has also extended \$105 million of Senior Debt, which expired in December 2012, three years to December 2013. Total available debt facilities is \$309 million. Gearing ratios and interest coverage ratios will remain well below debt covenant requirements with sufficient headroom for further capital management initiatives.

Strategic Alliance

Salmat and Photon have entered into a strategic alliance to work together to use and promote each others’ services.

Implementation

Salmat has a strong track record of successfully implementing acquisitions, including the integration of companies such as HPA, Salesforce, Vecommerce and Dialect.

“One of the most valuable assets of these four businesses is its people and we are thrilled to be able to welcome them into the Salmat family. We share a common entrepreneurial culture and believe the strong operational performance of the Salmat business provides a solid platform to facilitate an early realisation of the growth potential of the respective businesses,” said Mr Harrod.

“This investment provides an excellent growth platform to continue Salmat’s transition towards a solutions-based business in a fast growth sector,” he said.

Effective date of acquisition is 22 December 2010. (Sunset completion date 31 March 2011)

About Salmat

Salmat is Australia's leading marketing services provider specialising in targeted customer communication solutions. Salmat facilitates their clients' contact with their customers via an unmatched range of communication channel options – including voice, online, print, electronic and mobile - with comprehensive reporting on measurable results.

They have three key divisions, all of which are market leaders:

Targeted Media Solutions (TMS) delivers more than 5.9 billion retail catalogues to homes across Australia every year. The division uses up to date lifestyle and geo-demographic data to maximise the effectiveness of each campaign, and employs the latest technology to provide clients with real time campaign reporting and auditing. Furthermore, TMS undertakes promotional email, mobile and interactive voice response campaigns throughout Australia through its digital communication operation Salmat Interactive.

TMS launched Lasoo.com.au in 2007, and it is now the premier online pre-shop service for Australia's retailers, connecting buyers with sellers in a virtual marketplace. Lasoo provides a strong online presence for retailers to promote items and feature products for sale, while consumers have a single means of assessing the best price and closest location for their desired purchases. Further growth in this developing sector is coming from Salmat's Dynamic Catalogue software product, which creates searchable catalogues on the retailers' own websites, hosted e-commerce solutions for retailers seeking to go on-line and a self service direct marketing portal to assist SME businesses in promoting their goods and services.

Customer Contact Solutions (CCS) engages in more than 100 million conversations per year for its clients. This division applies world-class technology and a highly trained staff to handle inbound and outbound phone, fax, email and online communication. It also provides face-to-face sales teams on behalf of clients in Australia, New Zealand and more recently in Asia. Tailored voice recognition applications and accredited e-Learning training are fuelling further growth.

Business Process Outsourcing (BPO) sends more than 1.2 billion 'essential' mail packs every year. The division manages outsourced business services for large corporate clients, using high end technology to engage consumers through bulk 'essential' and direct marketing communication, via mail, email or online, both outbound and inbound. BPO streamlines and improves delivery of these services and uses its data management capability to record, store and cross reference large amounts of archive information for clients in Australia, Hong Kong, Taiwan and the Philippines.

Over 30 years Salmat has built a 7,000 plus strong team, experienced in contributing to their clients' growth by helping them to communicate effectively with their customers. This experience, together with their proprietary systems and technology and their strong client relationships, secures Salmat's position as Australia's – and increasingly the region's – leader in customer communication solutions.

For more information about the Salmat Group, please visit Salmat's website at www.salmat.com

About C4 Communications

C4 Communications is a digital and experiential media services company, providing innovative e-business strategy, e-commerce, retail kiosks and digital and mobile marketing. C4 specialises in building multimedia websites and dynamic content, video and events to support brand experiences for major organisations.

For more information on C4 Communications including current **clients**, please visit www.cfour.com.au.

About Be.Interactive

Be.Interactive is an interactive and mobile marketing agency creating promotional advertising campaigns using SMS, IVR, mobile phone, digital and 1900 premium rate products.

For more information on Be.Interactive including current **clients**, please visit www.beinteractive.com.au.

About MessageNet

MessageNet is a push SMS communications business, with high integration into corporate businesses for applications like bill reminders, system alerts, rostering and escalation, field services, staff & customer communications, marketing campaigns.

For more information on MessageNet including current **clients**, please visit www.messagenet.com.au.

About Returnity

Returnity are digital and database marketing specialists. Solutions include high volume traceable email campaigns, supported by strategic planning, copy and design, address list building, hosting HTML images, forms and online campaign reports.

For more information on Returnity including current **clients**, please visit www.returnity.com.

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