Half Year Results to 31 December 2010

14 February 2011

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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. Half year summary
2. Financial performance
3. Business unit review
4. Digital business update
5. Strategy and outlook

Financial summary

Item	Movement
Normalised sales revenue	Down 0.5% to $447.6 million
Reported sales revenue	Down 1.2% to $447.6 million
Underlying EBITA	Up 7.2% to $48.8 million
Underlying profit (NPAT)	Up 11.3% to $26.1 million
Statutory profit (NPAT)	Down 6.5% to $22.7 million
Underlying EBITA margin	Up 80 basis points to 10.9%
Underlying earnings per share	Up 11.5% to 16.5 cents
Earnings per share	Down 6.3% to 14.4 cents
Interim dividend	Up 4.5% to 11.5 cents

Half year overview

- Growth in underlying earnings.
- Continued margin improvement.
- Investment in emerging digital businesses:
  - Key acquisition successfully completed
  - Lasoo posting record revenue and site metrics
- Successful launch of SME strategy and new service.
- Salmat recognised as ‘Dream Employer’ and wins WA Work Safety Award, PIXI Award for print innovation and several ATA Victoria awards for contact centre staff.

Half year summary

Grant Harrod
Chief Executive Officer

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Business scorecard update

2011 Objectives	Status	Progress to date
Drive organic growth via One Salmat strategy.		Strong traction in new cross-selling opportunities offset by volume reductions (BPO volumes).
Accelerate and increase scale of digital businesses.		Investment in Lasoo reaping rewards. Enhanced digital portfolio with several new businesses acquired.
Develop new solution offerings and expand into new markets.		Launch of SME strategy. Development of e-commerce engine.
Pursue strategic acquisitions that strengthen existing services and extend one to one communication model.		Recent acquisition of C4 Communication, Be.Interactive, MessageNet and Returnity. Investment in Roamz website start-up. Further acquisitions under review.

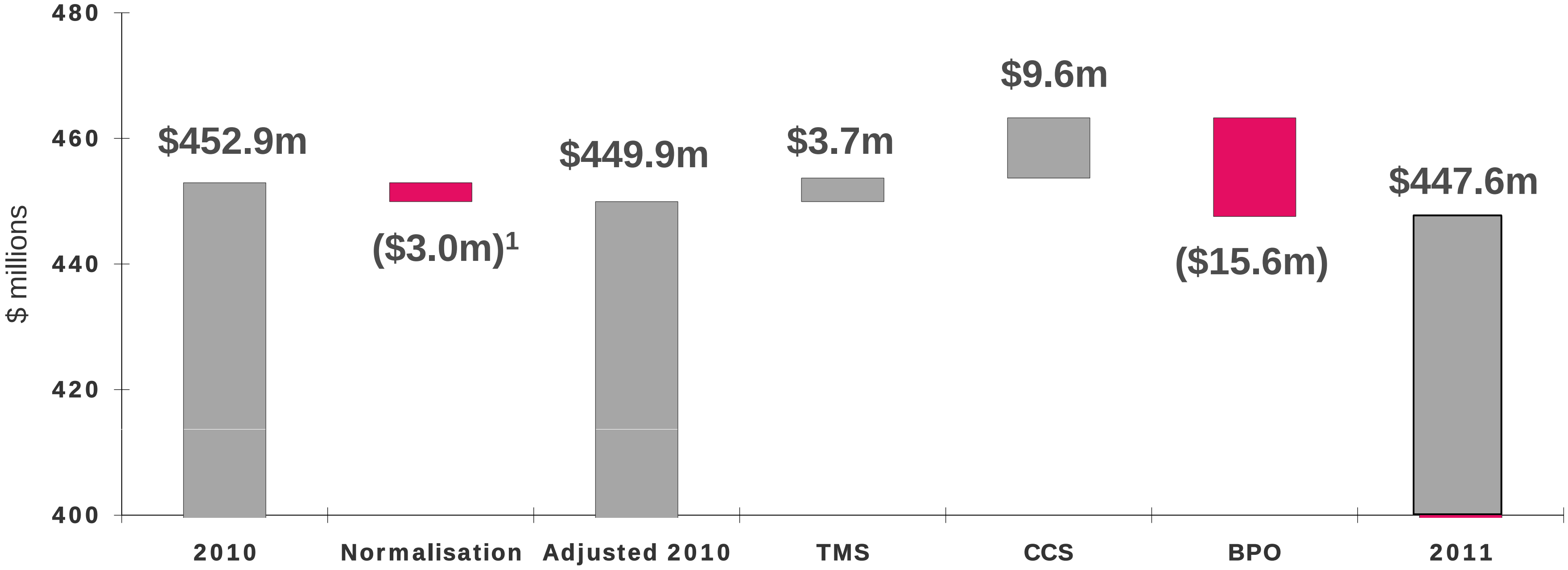
Financial performance

Chad Barton
Chief Financial Officer

Group result for half year ended 31 December 2010

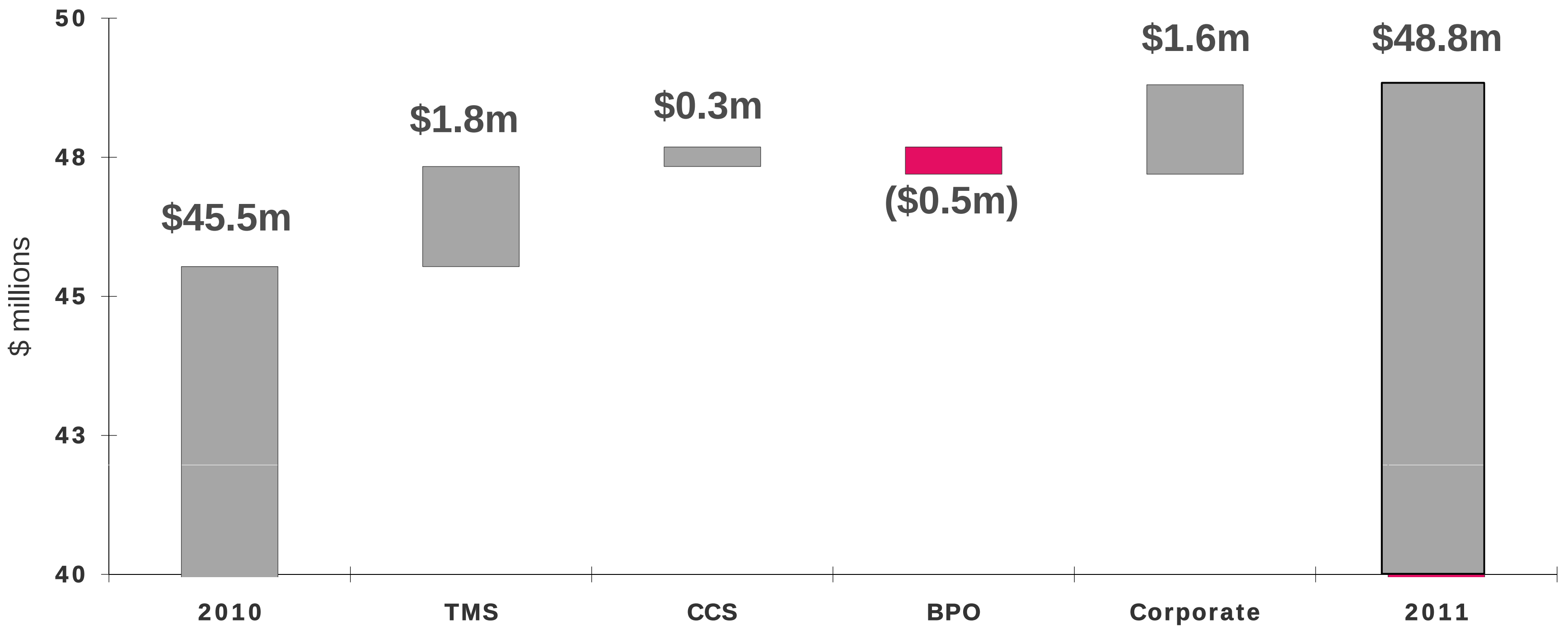
$ million	H1 2011	H1 2010	% change
Normalised revenue	447.6	449.9	- 0.5%
Reported revenue	447.6	452.9	- 1.2%
EBITDA	59.9	57.0	+ 5.0%
Depreciation	(11.1)	(11.5)	+ 3.7%
Underlying EBITA	**48.8**	**45.5**	**+ 7.2%**
Amortisation	(5.3)	(5.3)	-
Net interest	(6.8)	(6.4)	- 6.4%
Tax expense	(10.6)	(10.3)	- 2.9%
Underlying profit (NPAT)	**26.1**	**23.5**	**+ 11.3%**
Net significant items	(3.4)	0.8	NMF
Statutory profit (NPAT)	**22.7**	**24.3**	**- 6.5%**
Underlying EPS (cents)	16.5	14.8	+ 11.5%
Earnings per share (cents)	14.4	15.4	- 6.3%
Total dividend (cents)	11.5	11.0	+ 4.5%

Normalised revenue



1 *Net pass-through telecommunications revenue $2.3 million and FX impact $0.7 million.*

Underlying EBITA



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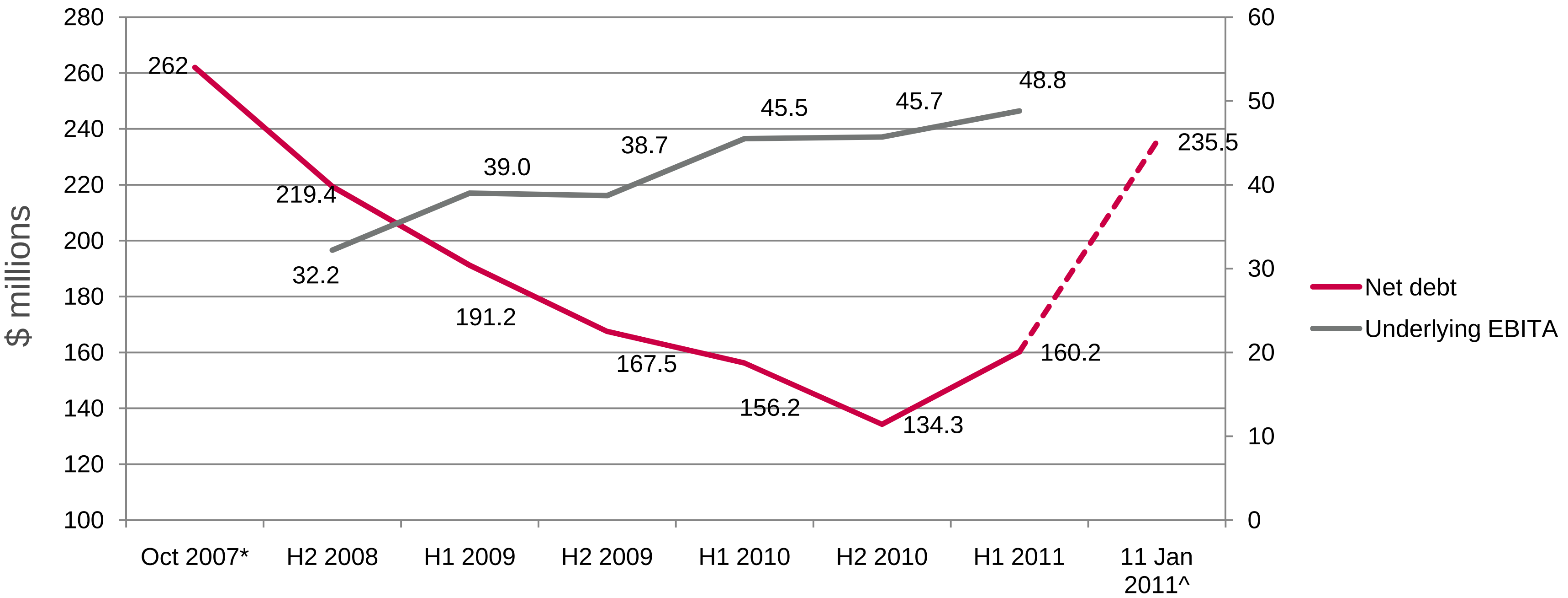
Balance sheet

$ million	H1 2011	H1 2010	% change
Current assets	168.4	172.7	- 2.5%
Fixed assets	52.6	45.1	+ 16.6%
Goodwill	440.9	365.0	+ 20.8%
Other	59.5	61.5	- 3.2%
Total assets	721.5	644.3	+ 12.0%
Current liabilities	227.3	323.3	- 29.7%
Non-current liabilities	212.3	31.3	NMF
Total liabilities	439.6	354.6	+ 24.0%
Equity	281.9	289.7	- 2.7%

Cash flow

$ million	H1 2011	H1 2010	% change
Net operating cash flow	47.3	45.0	+ 5.1%
Cash capital expenditure	(10.6)	(8.0)	- 32.5%
Free cash flow (before tax and significant items)	**36.7**	**37.0**	**- 0.8%**
Tax paid	(19.0)	(9.0)	- 111.1%
Restructure and relocation payments	(5.0)	-	-
Free cash flow	**12.7**	**28.0**	**- 54.6%**
Dividends paid	(35.8)	(17.5)	- 104.6%
Net repayment of borrowings	-	(8.0)	+ 100%
Net cash movement	(23.1)	2.5	NMF
Net debt	160.1	156.2	+ 2.5%

Net debt and underlying EBITA



** Debt peak in October 2007 related to funding of the HPA acquisition.*
^ Debt in January 2011 increased to fund the digital business acquisition.

Capital expenditure as a percentage of sales

	Half				
	2007	**2008**	**2009**	**2010**	**2011**
H1 underlying capex	8.2	11.1	10.5	8.2	9.6
% revenue	2.7	3.0	2.3	1.8	2.1
H1 capex including significant items	8.2	11.1	10.5	8.2	14.8
% revenue	2.7	3	2.3	1.8	3.3

We expect FY11 capex percentages to be close to the HY11 numbers

Key ratio table

	H1 2011	H1 2010	Basis points variance
Underlying EBITDA margin	13.4%	12.6%	+ 80
Underlying EBITA margin	10.9%	10.1%	+ 80
Underlying NPAT margin	5.8%	5.2%	+ 60
Statutory NPAT margin	5.1%	5.4%	- 30
Underlying EPS accretion	11.5%	49.1%	NMF
EPS accretion	- 6.3%	22.4%	NMF
Dividend yield (annualised)	7.1%	5.2%	+190
Return on capital employed	18.1%	15.7%	+ 240
Gearing	36.2%	35.0%	+ 120
Interest coverage ratio (rolling)	6.0x	4.6x	+ 140

Key production volumes

	H1 2011	H1 2010	% change
Catalogue volumes	> 2.61 billion	> 2.55 billion	+ 2.4%
Mail packs	> 545 million	> 620 million	- 12.1%
Call centre utilisation	77.3%	78.5%	- 1.2%
Interactive email	> 133 million	> 64 million	+ 108%
Interactive SMS	> 8.1 million	> 7.9 million	+ 2.5%
Lasoo visits	> 10.1 million	> 6.7 million	+ 50.7%
Lasoo offer interactions	> 22 million	> 13 million	+ 69.2%
Lasoo offer impressions	> 3.2 billion	> 2.0 billion	+ 60%

Business unit review

Grant Harrod
Chief Executive Officer

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Targeted Media Solutions

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Targeted Media Solutions – financial performance

$ million	H1 2011	H1 2010	% change
Reported sales revenue	121.8	118.7	+ 2.6%
Normalised sales revenue[1]	*121.8*	*118.1*	+ 3.1%
Underlying EBITA	22.5	20.7	+ 8.7%
Margin	*18.5%*	*17.5%*	+ *1.0%*

1 Adjusted for pass through telecommunications ($2.3 million) and business transferred from BPO ($1.7 million)

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Targeted Media Solutions – scorecard update

2011 Objectives	Status	Progress to date
Drive integrated sales via deeper multi-channel strategy.		Fully integrated sales team. Launched hosted e-commerce strategy. Digital and interactive growth from letterbox clients seeking multi-channel solutions.
Expand Lasoo and accelerate growth via further investment.		Building out new functionality (daily deals, fashion portal, new mobile apps). Increased participating retailers and etailers by 13%. Now around 370,000 products on site.
Launch new offering for small to medium enterprise market.		SME strategy announced. New portal launched in November 2010: fully functional in February 2011. Phase two upgrade due by mid year.

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	H1 2011	H1 2010	% change
Reported sales revenue	162.9	153.3	+ 6.3%
Underlying EBITA	10.0	9.7	+ 3.6%
Margin	*6.2%*	*6.3%*	*- 0.1%*

Customer Contact Solutions – scorecard update

2011 Objectives	Status	Progress to date
Drive operating profit growth in line with revenue growth.		Earnings growth lag from continued softer sales in Direct Sales, e-Learning and Speech. Adjusting contact centre strategy to reduce commodity contracts and target premium services.
Capitalise on untapped opportunities in existing client base and markets.		Secured new work with a number of major clients, which will impact in second half. Good further opportunities in several markets. One Salmat multi-channel strategy achieving new sales from existing client base.
Focus on margin improvement via efficiency and rationalisation		Trading margin uplift in contact centre business. Focus on more premium contact centre work. Property portfolio alignment continuing. Opportunity to upgrade core technology for improved efficiency and speed to market.

Business Process Outsourcing

Transactional and direct marketing services

e-Solutions

Print on demand

Business process automation

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Business Process Outsourcing - financial performance

$ million	H1 2011	H1 2010	% change
Reported sales revenue	162.9	180.9	- 10.0%
Normalised sales revenue[1]	*162.9*	*178.5*	*- 8.7%*
Underlying EBITA	21.9	22.4	- 2.2%
Margin	*13.5%*	*12.6%*	*+ 0.9%*

1 Adjusted for FX impact ($0.7 million) and business transferred to TMS ($1.7 million)

Business Process Outsourcing – scorecard update

2011 Objectives	Status	Progress to date
Further develop range of e-solutions capabilities.		Structural change implemented to streamline and expedite development of new solutions.
Realign cost base and improve margins via improved standardisation.		Completed Victorian site integration and anticipate savings of $1.8m p.a. from FY12. Confirmed colour technology platform upgrade to be completed in 2H: annualised benefits of more than $2.8m p.a.
Focus on client retention and revenue growth.		New client retention programs will be implemented in second half. Focus on revenue growth in non-mail activities: imaging, e-solutions, workflow.

Digital business update

Lasoo performance validates investment

- Site metrics continue to grow:
  - 2.5 million visitors in December (up 46% on Dec 2009).
  - 5.6 million offer interactions in December (hit #1 spot for Australian shopping sites during the month).
  - Mobile visits on the increase: >200,000 hits in December, accounting for 8.2% of total traffic.
  - Store locator access now 30% of all interactions.
- Now have around 370,000 products and offers on Lasoo each day: more than six-fold increase on previous year.

Lasoo strategy update

- First half focus on significant ramp up in new functionality; focus on accelerating marketing investment in second half.
- Launched updated iPhone app and new Windows and Android mobile apps in December: strong uptake.
- Launched ‘Daily Deals’ in early January: consolidates group buying offers from various vendors.
- Fashion portal ‘565 Lasoo’ ready to launch in February 2011.
- Christmas 2010 radio promotion - first campaign for several years – resulted in strong increase in searches and interactions.

Lasoo next steps

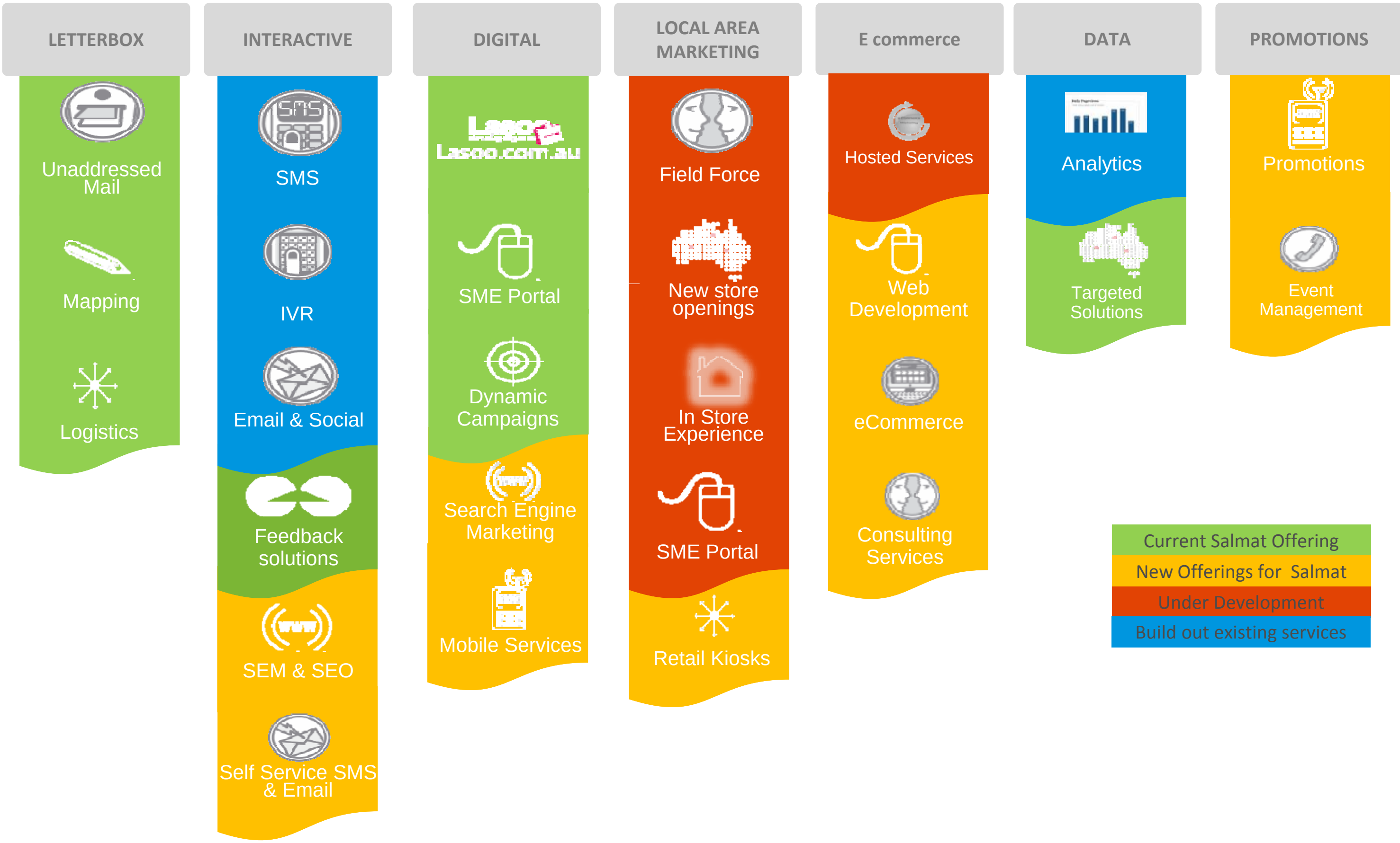
- Further improvements to existing site elements will roll out in second half, including enhanced mobile functionality.
- Additional specialist vertical portals under development.
- Launch consumer interaction services, including product reviews to further enrich site content.
- Expanded sales team to accelerate participating retailers.

Digital acquisition update

- Acquired portfolio of four digital and interactive businesses:
  - C4 Communication (digital and experiential media services)
  - Be.Interactive (interactive mobile marketing)
  - MessageNet (business SMS communication)
  - Returnity (email marketing and database services)
- Complementary services with strong cross-selling opportunities.
- Significant IP and leading edge technologies.
- Strengthens multi-channel offering with e-commerce capabilities.

Digital acquisition update: strategic rationale

Digital acquisition update: new TMS structure



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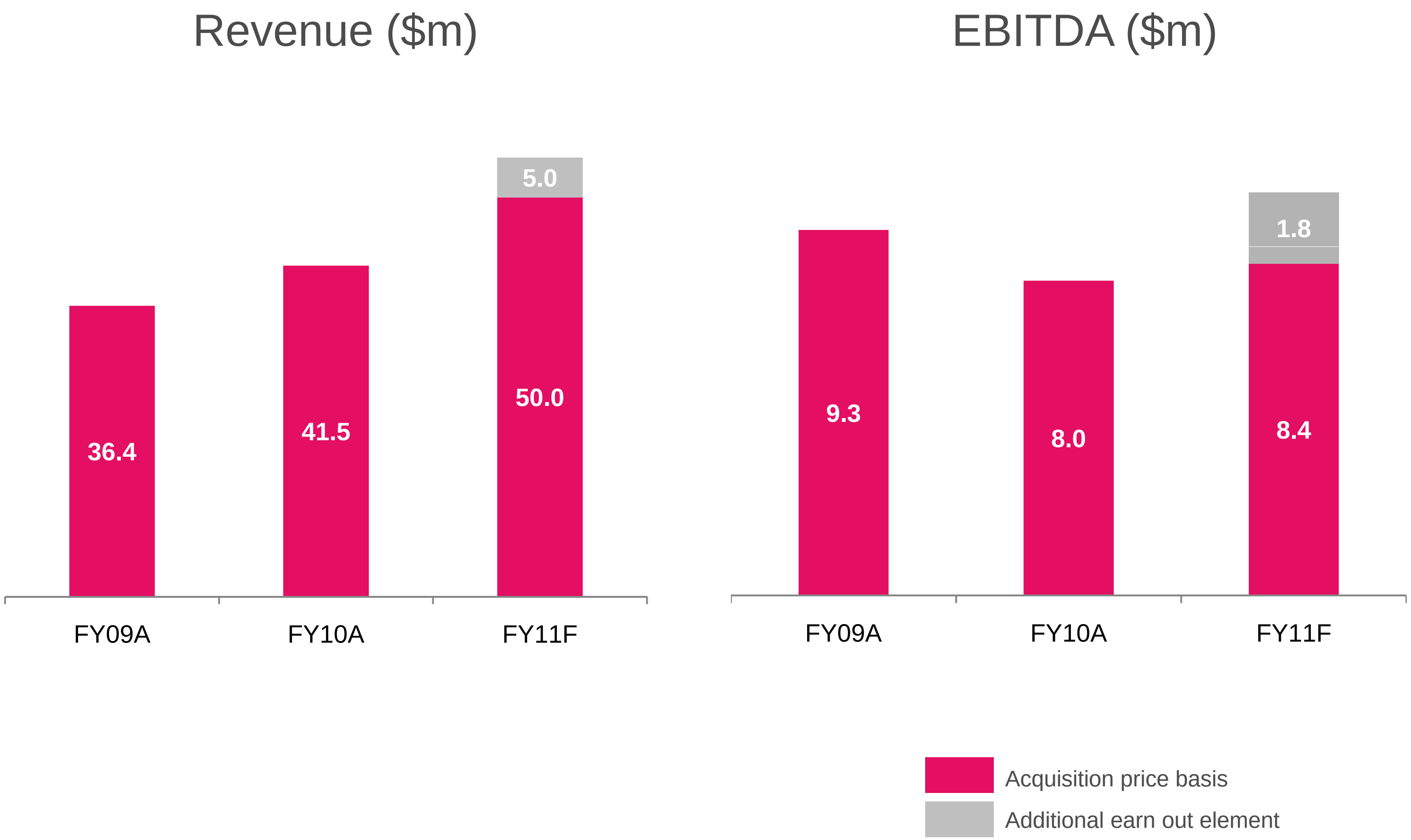
Digital acquisition update: financials

- Anticipate around $50 million in annualised gross revenue and $8.4 million in EBITA, plus synergy gains.
- EPS accretive in FY11 (excluding one-off costs and amortisation) and over 5% accretion in FY12.
- Cumulative EBITDA synergies >$5 million by year three.
- Fully funded by senior term debt.

Digital acquisition update: annualised numbers



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Roamz joint venture

- New online start-up venture in partnership with founder.
- Supports consumer engagement platform strategy: now includes Lasoo and Roamz.
- Integrated social networking, location-based and online advertising site. Users can share real-time information on events, destinations and deals with mapping functionality. Provides retailers an excellent targeted marketing platform to promote products and services.
- Leverages huge growth in social media and ‘smart’ mobile devices.
- Set to go live in mid 2011.

Strategy and outlook

Growth strategy

- Continue to leverage One Salmat sales strategy, particular focus on newly acquired businesses.
- *Targeted Media Solutions:*
  - Focus on evolving digital strategy to be the leading provider of digital marketing services:
    - Complete integration of four acquired digital businesses
    - Continue build out of Lasoo site and functionality
    - E-commerce strategy to provide hosted online retailer engine
    - Identify new services to further enhance multi-channel model
  - SME portal go live and roll out sales strategy.

Growth strategy (continued)

- *Customer Contact Solutions:*
  - New sales structure targeting ‘customer sweet spot’: premium call centre services.
  - Launch hosted cloud-based call centre technology service.
- *Business Process Outsourcing:*
  - Accelerate deployment of non-mail services.
- *Acquisition strategy:*
  - Continue focus on strategic opportunities to build out existing services and markets, and expand services portfolio within current model.

Outlook

- Remain on track for underlying EBITA of $92-97 million.
- Impact will be felt from:
  - BPO integration
  - CCS client mix transition
  - Lasoo
  - Retail trading environment
- Boosted by recent digital acquisition and take up of One Salmat multi-channel offering.

Thank you

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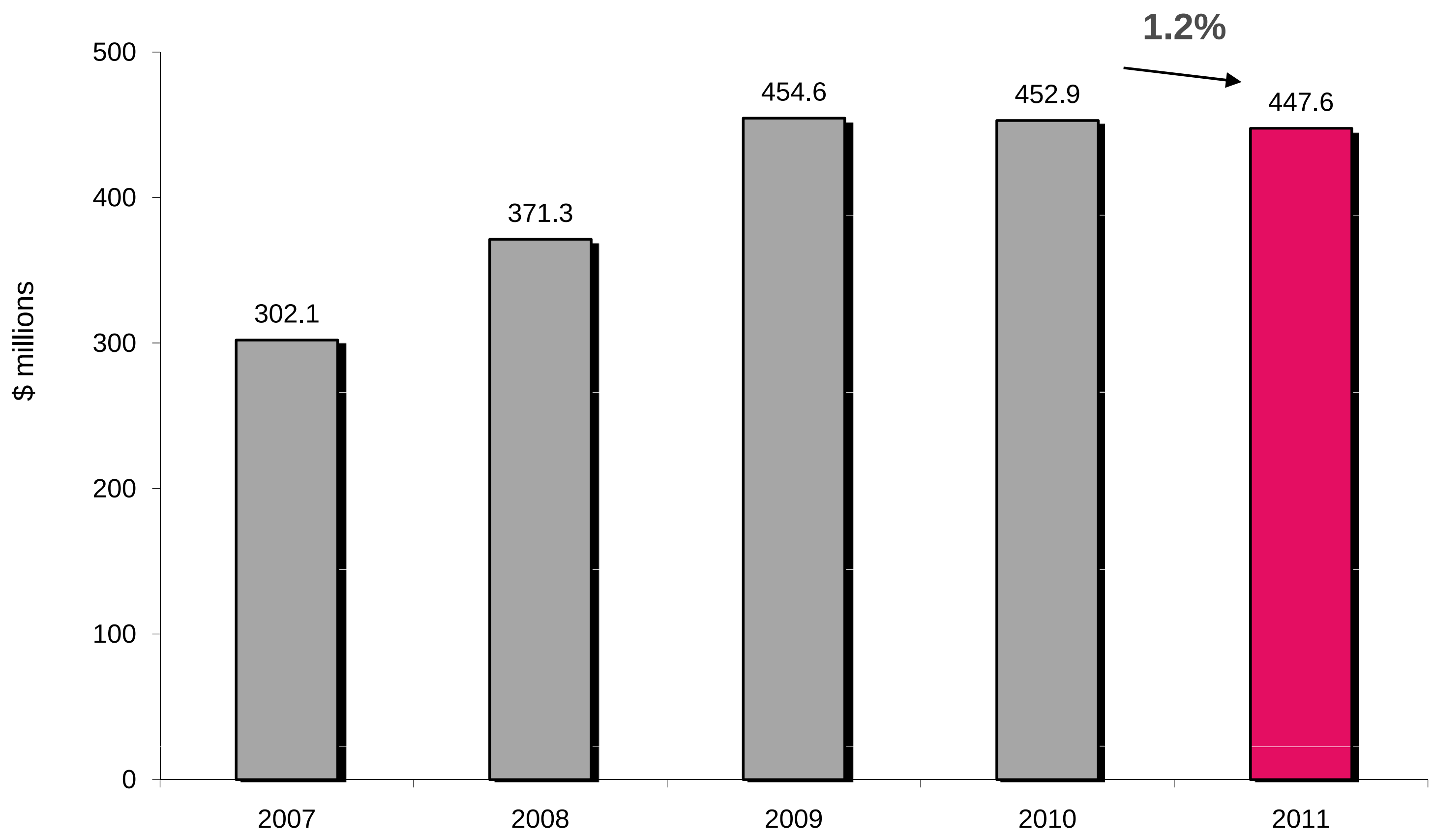
Appendices

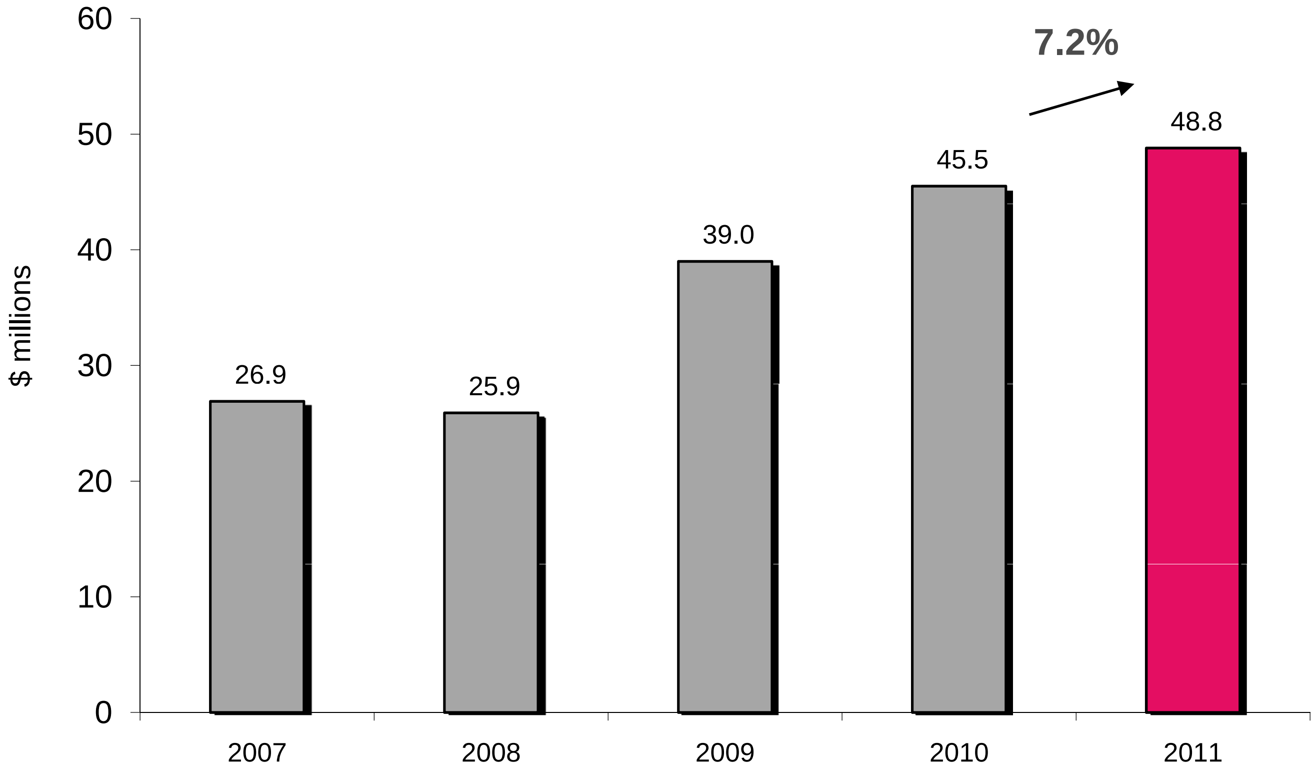
Divisional summary

$ million	H1 2011	H1 2010	% change
Reported sales revenue:			
Targeted Media Solutions	121.8	118.7	+ 2.6%
Customer Contact Solutions	162.9	153.3	+ 6.3%
Business Process Outsourcing	162.9	180.9	- 10.0%
Group reported sales revenue	447.6	452.9	- 1.2%
Underlying EBITA :			
Targeted Media Solutions	22.5	20.7	+ 8.7%
Customer Contact Solutions	10.0	9.7	+ 3.1%
Business Process Outsourcing	21.9	22.4	- 2.2%
Corporate	(5.6)	(7.3)	+ 23.3%
Underlying Group EBITA	48.8	45.5	+ 7.2%

Reported sales revenue – first half comparison



Underlying EBITA – first half comparison



Significant items used to calculate underlying profit

$ million	H1 2011	H1 2010
Sale of land and buildings[1]	(0.7)	(1.2)
Restructuring costs[2]	4.0	-
Acquisition transaction costs[3]	1.6	-
Significant items before tax	4.9	(1.2)
Income tax	(1.5)	0.4
Significant items after tax	3.4	(0.8)

[1] In the six months ended 31 December 2008 the group sold and leased back land and buildings. There is approximately $0.8m deferred profit (before tax) in respect of sale and lease back of land and buildings to be recognised in future periods.

[2] Relocation and restructuring costs for the consolidation of Victorian operations in Business Process Outsourcing.

[3] Transaction costs relating to the acquisition of the digital and interactive businesses.