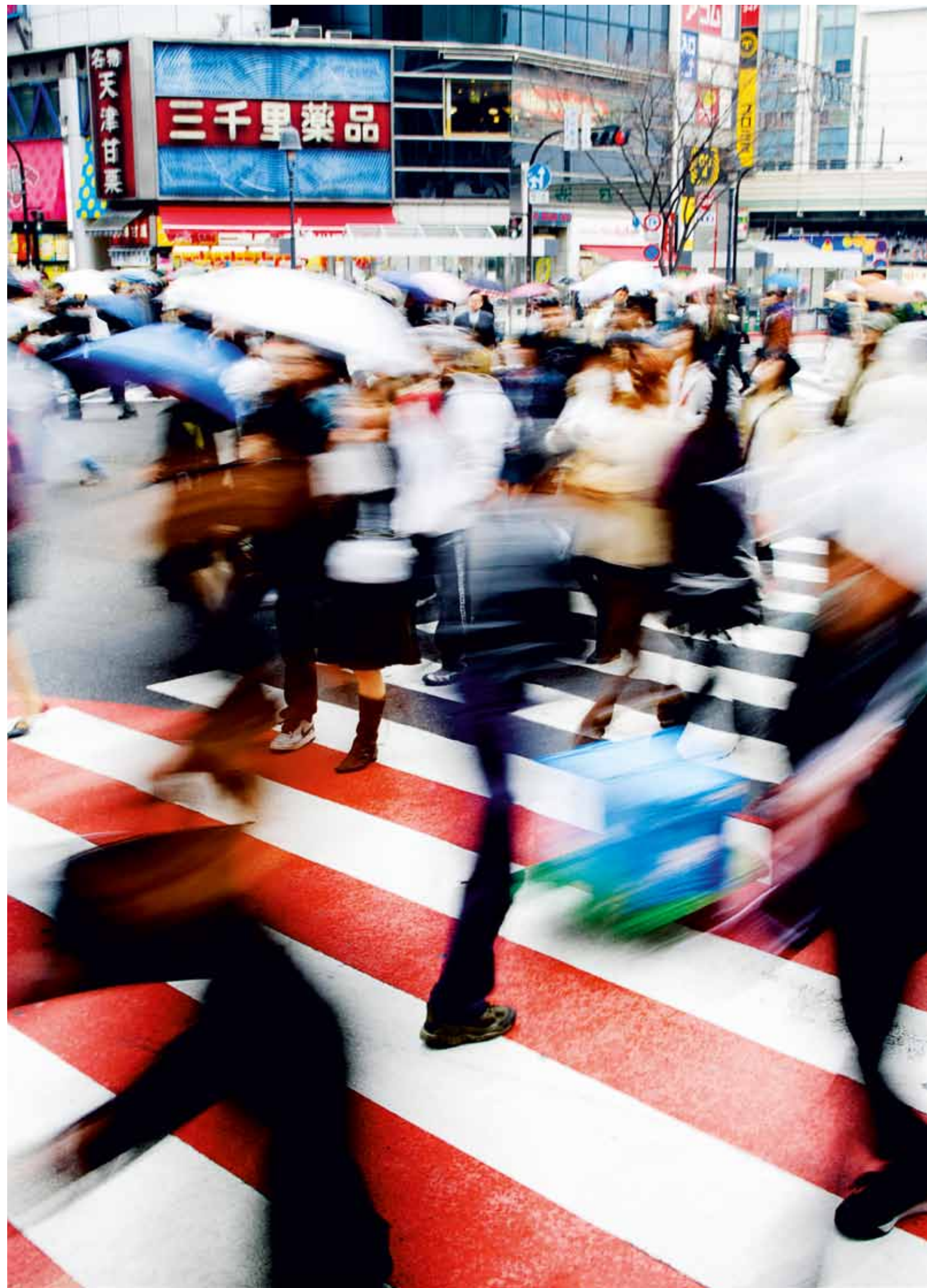
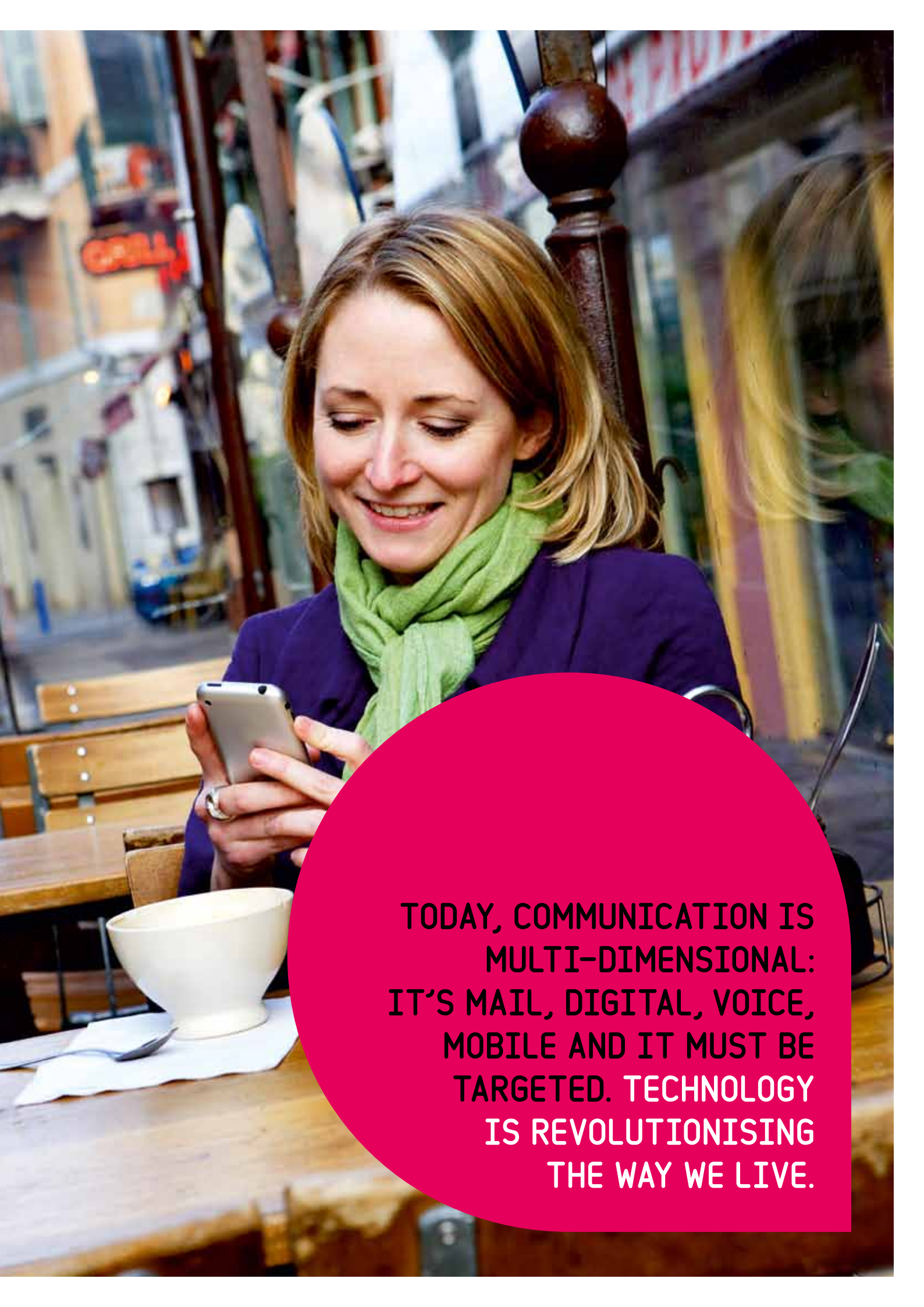


COMMUNICATING TODAY AND TOMORROW

SHAREHOLDER REVIEW 2011





**TODAY, COMMUNICATION IS
MULTI-DIMENSIONAL:
IT'S MAIL, DIGITAL, VOICE,
MOBILE AND IT MUST BE
TARGETED. TECHNOLOGY
IS REVOLUTIONISING
THE WAY WE LIVE.**




**ACCESS TO LASOO
VIA MOBILE DEVICES
GREW 461% IN
FY11, COMPARED
WITH FY10.**



**STILL 95% OF
MAILED COMMUNICATION
IS READ AND REMAINS
THE MOST EFFECTIVE
'CALL TO ACTION'
COMMUNICATION MEDIUM.**

A close-up photograph of a person's hands, wearing a light-colored patterned shirt, pointing at a colorful catalog spread out on a wooden table. The catalog features various clothing items and models. A white mug is visible in the upper left corner. A white circular graphic containing text is overlaid on the left side of the image.

**WE DELIVERED OVER
FIVE BILLION CATALOGUES
TO AUSTRALIAN
HOUSEHOLDS IN FY11,
KEEPING THEM INFORMED
OF THE BEST DEALS.**

A close-up photograph of a hand in a dark pinstriped suit sleeve using a white computer mouse. A white keyboard is partially visible on the left. A large pink circular graphic containing text is overlaid on the left side of the image.

**POST-ACQUISITION,
SALMAT'S INTERACTIVE
EMAIL VOLUMES WERE
UP 151% ON THE PRIOR
YEAR TO MORE THAN
386 MILLION.**



The background is a dense grid of small squares in various colors, including shades of blue, teal, orange, purple, and grey. A large, solid pink circle is positioned in the lower right quadrant, partially overlapping the grid. Inside this circle, the following text is written in white, bold, uppercase letters:

**WHILE WE CONTINUE TO
LEAD THE MARKET WITH OUR
TRADITIONAL COMMUNICATION
BUSINESSES, SALMAT IS ALSO
LOOKING AHEAD AND BUILDING
OUT OUR SERVICE SUITE WITH
DIGITAL COMMUNICATION
CAPABILITIES.**

ABOUT SALMAT

TARGETED MEDIA SOLUTIONS

CATALOGUE DISTRIBUTION

DATA ANALYSIS

SALMAT DIGITAL:

web, email, mobile, e-commerce,
social media, Lasoo, Roamz

ONE SALMAT

BUSINESS PROCESS OUTSOURCING

ESSENTIAL AND DIRECT MAIL

BUSINESS PROCESS AUTOMATION

E-SOLUTIONS:

digital archiving, email, workflow

CUSTOMER CONTACT SOLUTIONS

CONTACT CENTRES:

onshore, offshore, @Home

SPEECH SOLUTIONS

DIRECT AND RETAIL SALES

LEARNING SOLUTIONS

SALMAT COMBINES TRADITIONAL COMMUNICATION CHANNELS SUCH AS CATALOGUES, ESSENTIAL MAIL AND VOICE WITH NEW DIGITAL MEDIA TO DELIVER INNOVATIVE COMMUNICATION SOLUTIONS ACROSS AN UNMATCHED RANGE OF CHANNEL OPTIONS.

Communication is at the heart of the relationship any business has with its customers. Lose contact with your customers and risk losing them altogether. Annoy them with immaterial – or worse, incorrect – communication and they'll look elsewhere for better service.

Get it right with timely, relevant communication in the channel each customer prefers, and you win the opportunity to grow a long-term, profitable relationship.

Today, the need to get communication right is more pressing than ever: information is available in an instant via mobile devices, social media and other digital channels. Competition for the consumer dollar is fierce – and global.

Salmat helps organisations send the right message, to the right people, using the right channels: put simply, we help our clients maximise their return on customer communication.

Who we are

Salmat is Australia's leading marketing communications and outsourced business services company.

We help businesses find, acquire, grow and retain customers by delivering innovative multichannel communication solutions across a range of digital, voice and mail services.

We have evolved significantly over the years, acquiring and developing a broad portfolio of capabilities to build a unique multi-channel service model.

We have the largest consumer reach and distribution capability in the country, via more than five billion catalogues, 20 million Lasoo visits, 1.1 billion mail packs, 386 million emails and 35 million telephone conversations each year. Salmat is in contact with more consumers on behalf of its clients than any other organisation in Australia.

The digital revolution

Salmat was established more than 30 years ago as a catalogue distribution business. Over time, the business grew into three key divisions based on targeted marketing via catalogues; outsourced business services such as essential and direct mailing and scanning; and call centre and related services.

Salmat has established strong market leadership in each of these traditional businesses, which remain strong and relevant today.

Nonetheless, Salmat has recognised that the evolution of digital communication is fast accelerating – and that we want to lead this market as well.

We've taken steps over the past few years to digitise aspects of our existing businesses – taking catalogues online via Lasoo, for example – as well as investing more recently in new capabilities in mobile, web and social media.

We've established a digital communication centre of excellence and appointed a new digital media specialist to lead this exciting new part of the business.

Salmat is now *the* one stop shop for any business wanting to communicate directly with existing and potential customers – no matter the medium. We are the outright leader when it comes to facilitating direct or targeted communication to consumers, across multiple channels.

What we do

Targeted Media Solutions:

- Australia's largest catalogue distributor: to more than eight million households twice a week throughout Australia and New Zealand.
- Sophisticated customer targeting via lifestyle and geo-demographic analysis.
- Digital online advertising, including the Lasoo.com.au shoppers choice website.

- Interactive email and SMS communication platform.
- E-commerce services, including a hosted online retail platform.
- Search engine optimisation and marketing.
- Web development.
- Digital and social media consulting.

Business Process Outsourcing:

- Australia's largest provider of essential and direct marketing print and mail services, such as bills, statements and personalised offers.
- e-solutions including email billing and payment systems, digital archiving and workflow.
- Business process automation of back office functions such as accounts receivable and accounts payable and claims processing.
- Print on demand nationally distributed digital printing and fulfilment.

Customer Contact Solutions:

- Australia's largest provider of outsourced call centre services, including onshore and offshore facilities and @Home contract operators.
- Speech solutions such as natural language speech recognition and biometric authentication.
- Direct and retail sales services.
- Learning and development training solutions, including online.
- Consulting and support services for customer contact optimisation.

Our vision

To be the leading communications partner that delivers innovative, strategic, multichannel solutions.

PERFORMANCE SUMMARY

SALMAT PERFORMED SOLIDLY IN A YEAR CHARACTERISED BY STRONG EXTERNAL HEADWINDS AND SIGNIFICANT BUILDING FOR THE FUTURE.

RESULTS (in \$millions except where stated)

	2007	2008	2009	2010	2011	Change on prior year
FINANCIAL PERFORMANCE						
Sales revenue	601.9	812.0	869.7*	878.8	863.0	- 1.8%
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	63.9	79.5	101.4	113.0	109.6	- 3.0%
Underlying earnings before interest, tax and amortisation (EBITA)	46.9	57.6	77.7	91.2	88.6	- 2.8%
Net significant items included in the result (before tax)	15.2	(13.5)	4.3	2.4	(9.2)	NMF
EBIT	60.6	36.1	70.2	83.0	67.4	- 18.8%
Underlying net profit after tax	27.5	22.0	33.0	47.4	42.4	- 10.6%
Statutory net profit after tax (NPAT)	44.3	12.8	34.5	49.1	36.0	- 26.8%
Earnings per share (cents)	37.7	9.0	21.7	31.1	22.7	- 26.9%
CASH FLOW						
Operating cash flow	32.1	60.6	80.9	84.9	40.7	- 52.1%
Cash capital expenditure	15.9	20.2	18.0	12.9	23.8	- 84.5%
Net debt	83.7	219.4	167.5	134.3	258.3	- 92.3%
Interest coverage ratio (%)	10.7	4.8	5.6	8.8	6.5	
Gearing (Net debt: net debt + shareholder funds) (%)	40.8	43.6	37.3	31.2	48.2	
OTHER KEY MEASURES						
EBITDA margin (%)	10.6	9.8	11.4	12.9	12.7	
Net profit margin (%)	7.4	1.6	3.9	5.6	4.2	
Return on capital employed (%)	30.0	8.0	14.5	18.6	13.9	
Employees (full time equivalent)	4,492	5,953	6,014	6,791	5,422	- 20.2%
DIVIDENDS						
Dividends (cents per share)	18.0 [#]	18.5	20.0	23.5 [#]	24.0	+ 2.1%

* Normalised figure.

Excluding a special dividend of ten cents per share.

REVENUE

\$863.0M

TOTAL DIVIDEND
PER SHARE

24.0¢

UNDERLYING EBITDA

\$109.6M

DIVIDEND YIELD

7.6%

UNDERLYING EBITA
MARGIN

10.3%

INTEREST COVERAGE RATIO

6.5%

CHAIRMAN'S MESSAGE



**WITH CASH-STRONG
TRADITIONAL BUSINESSES
AND A PRIME POSITION
IN THE ACCELERATING
DIGITAL MARKET, THE
BOARD IS CONFIDENT IN
SALMAT'S FUTURE.**

SALMAT HAS TAKEN KEY STEPS THIS YEAR TO STRENGTHEN ITS MARKET-LEADING POSITION IN INTEGRATED COMMUNICATION AND OUTSOURCED BUSINESS SERVICES AND ALSO TO CAPTURE THE RAPIDLY GROWING DIGITAL COMMUNICATION MARKET.

Financial performance

In a year of softer trading conditions, Salmat once again proved its resilience with a revenue result down only slightly on the prior year and a stable underlying EBITA margin.

Sales revenue was \$863.0 million for the year, which was down 1.8% on a reported basis. The group revenue result was supported by higher revenue in Targeted Media Solutions but impacted by lower revenue in the Customer Contact Solutions and Business Process Outsourcing divisions.

We achieved underlying EBITA of \$88.6 million, down 2.8% on the prior year. We have also maintained a stable underlying EBITA margin year on year at 10.3% (2010: 10.4%).

Underlying net profit after tax was \$42.4 million, before a net significant item expense of \$6.4 million, which brought statutory profit (net profit after tax) to \$36.0 million.

The significant item expenses related to the building out of Salmat's future capability, including one-off investments in BPO site relocations; acquisition transaction and integration costs; restructuring; and exiting non-core contracts. The significant item costs were offset slightly by residual deferred profit on the sale and leaseback of properties in Sydney and Brisbane in an earlier period.

The investments during the year also saw cash capital expenditure and net debt increase, to \$23.8 million and \$258.3 million respectively.

Key activities

Future-building activities formed the greater part of Salmat's focus during the year.

The acquisition of a suite of digital businesses in December 2010 was an important highlight as Salmat invested \$75 million in extending our existing capabilities in this area as well as bringing in new services. A digital communication 'centre of excellence' was subsequently formed and the appointment of a specialist to head up Salmat's digital division reflects our ongoing focus on this important area of growth.

Within Business Process Outsourcing (BPO), a significant transformation program was successfully managed during the year, which included the consolidation of sites, the implementation of new colour printing technology and the successful relocation of a number of back office functions to our facility in Manila. Margins have already improved on the back of these initiatives.

Salmat's Customer Contact Solutions (CCS) division has also undergone transformation, moving from 'labour-hire' type contracts to those with a focus on complete management of customer engagement operations. CCS was impacted during the year by the closure of the Telstra contract, affecting some 800 agent roles. This contract was fully transitioned by year end, thus providing a new opportunity to target preferred full-service contracts. By year end, there was already an improvement in seat utilisation and an increase in new business.

Increased dividend

Salmat has consistently delivered increased regular dividends each year since listing and 2011 was no different.

In support of Salmat's solid position and future prospects, I am pleased to confirm that the board declared a final dividend of 12.5 cents per share, fully franked, bringing the total full year dividend to 24.0 cents per share, up 2.1% on the prior year.

The board intends to continue delivering sound returns to shareholders, whilst being mindful of the need to reinvest for long-term benefits.

Strategic direction

Salmat has maintained a consistent focus on targeting long-term, sustainable growth via a four-pronged strategy, driven by Grant and his team. The four key strategy elements are:

- **One Salmat:** bringing our operations and services together as one cohesive model, offering clients a seamless multi-channel service offering.
- **Digital services:** accelerating Salmat's digital services capabilities to meet the rapid growth in demand.
- **New markets:** adapting Salmat's services for previously untapped markets, such as the small to medium enterprise market.
- **Productivity and efficiency:** achieving optimal operating efficiency to improve profitability.

Salmat will continue to focus on these key areas and we expect to see the return on our 2011 strategic investments start to flow through in 2012.

Thank you

On behalf of the board, I would like to thank the entire Salmat team for a solid performance in challenging markets during 2011.

I would like to thank our valued shareholders, customers and partners for your continued support and also my board colleagues for their significant contribution throughout the year. I look forward to sharing news of Salmat's initiatives and performance in the coming year.



RICHARD LEE
Chairman

CEO'S MESSAGE

IT'S BEEN AN EXCITING YEAR FOR SALMAT, WITH THE SUCCESSFUL COMPLETION OF SOME IMPORTANT INITIATIVES TO STRENGTHEN OUR TRADITIONAL BUSINESSES AND BUILD OUR DIGITAL CAPABILITIES. DESPITE THE CHALLENGES OF THE WIDER ECONOMY, SALMAT HAS EMERGED FROM THE PAST YEAR IN A SOLID STRATEGIC POSITION, READY TO COMMENCE OUR NEXT STAGE OF GROWTH.

Strategic initiatives

In line with our strategy to drive growth via One Salmat, digital services, the SME market and efficiency initiatives, we took significant steps to further each of these four strategy pillars during 2011.

In support of the One Salmat strategy to leverage the deep relationships Salmat holds with many of Australia's leading organisations, we continued cross-selling existing and new services across the client base. The sales teams were also better structured and incentivised to achieve multichannel sales.

Salmat pursued digital growth via investment in existing capabilities and through the acquisition and integration of several new businesses. The businesses acquired in December 2010 added new complementary services including web development, search engine optimisation and e-commerce to Salmat's digital suite and have now been fully integrated into the business.

Salmat also continued to target the Small to Medium Enterprise (SME) market by launching a self-service online portal that gives SME clients easy and affordable access to sophisticated marketing services. We expect SME volumes to grow in 2012.

Finally, productivity and efficiency was enhanced through site consolidation and technology upgrades in Business Process Outsourcing; and strategic restructuring of Customer Contact Solutions. Salmat is also centralising back-office functions to reduce costs.

Business performance

Targeted Media Solutions

Targeted Media Solutions (TMS) sales revenue was \$250.9 million, up 7.1% on a normalised basis compared with the prior year. The prior year figure was normalised to account for the transfer of a business into TMS from the BPO division. The existing digital businesses – including Lasoo, Interactive and Data Services – all contributed to higher revenue.

Normalised underlying EBITA increased by 4.3% to \$42.5 million. Earnings growth was reduced by investment spending on Lasoo and the new Roamz joint venture, plus some short-term duplication following the digital business acquisition.

Major retailer catalogue volumes grew slightly on the previous year, though smaller retailer activity was impacted by the economic conditions, leading to an overall volume decline, particularly in the second half.

Lasoo continued to grow revenue, visits and retailer volumes, following increased consumer interest in pre-shopping. Interactive SMS and email as well as data services also posted improved performance on the prior year, both organically and following the integration of the digital acquisition.

The new digital businesses contributed six months of revenue for the year. Flow-on synergies are on track to meet the acquisition performance guidance for FY12.

Business Process Outsourcing

Business Process Outsourcing revenue was \$318.5 million, down 6.3% on a normalised basis when the prior year figure was adjusted for the transfer of a business into TMS. Revenue was mainly impacted by softer trading conditions in key markets. New business wins will restore these volumes in FY12. The shift to electronic mail remains at around 2-3% per annum. Revenue from e-solutions and scanning was up on the prior year.

Underlying EBITA was down 4.3% on a normalised basis for the year to \$41.8 million, impacted by the one-off investment costs associated with the site relocations, new colour print technology and e-business restructuring. A focus on cost containment, improved efficiency and the implementation of new business wins should have a positive impact in FY12, along with savings and volume growth from the transformation program. We also anticipate strong growth from the e-solutions portfolio over the next few years.

Customer Contact Solutions

Customer Contact Solutions sales revenue was \$293.7 million, down 3.6% on the prior year. The completion of the major Telstra contract and the exit of an underperforming business in Asia during the year were the key factors impacting results.

Underlying EBITA was \$16.0 million, down 20.0% on the previous year. The EBITA result was mainly affected by the closure of contracts and related closure costs. Costs were also incurred to revitalise the Direct and Retail Sales, Learning Solutions

and Speech Solutions businesses, which are already showing strong signs of improvement in results. We have also built out our consulting team to provide strategic consulting capability across our CCS offering and support our focus on full-service contact centre contracts.

Executive changes

There were several changes to Salmat's Senior Leadership Team (SLT) announced during the year and just after year end.

Ian Jones was appointed as Head of Sales and joined the SLT in March 2011, following the resignation of Gary Smith. Ian has worked with Salmat since 1992 in a number of key sales and general management positions.

In June 2011, Salmat announced the appointment of Nick Spooner as the CEO of Salmat Digital and a member of the SLT. Nick commences with Salmat on 29 August 2011, bringing a wealth of experience from prior roles in digital media.

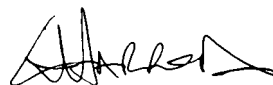
Finally, there were two key divisional changes announced in August 2011. David Besson moved from his role as CEO of Targeted Media Solutions (TMS) to CEO of Customer Contact Solutions following the resignation of Andrew Hume. David Webster – our GM of Catalogue Distribution – was appointed as CEO of TMS, following more than 18 years in key management roles within TMS.

On behalf of Salmat, I would like to congratulate Ian, Nick, David Besson and David Webster on their new appointments and convey our sincere thanks to Gary and Andrew for their contribution and best wishes for their future success.

Outlook

We are confident that our three year growth strategy is on track and that Salmat will remain largely resilient in the current economic climate, with stable volumes in traditional services and continued high growth in digital volumes in the coming year.

The initiatives of the past year have strengthened Salmat's position as the leading marketing communications and outsourced business services business in Australia. We will continue to build on this position and the opportunities it presents over the coming year.



GRANT HARROD
CEO



THE INVESTMENTS WE'VE MADE
IN OUR TRADITIONAL BUSINESSES
AND THE HIGH-GROWTH DIGITAL
MARKET OVER THE PAST YEAR WILL
POSITION SALMAT AS THE CLEAR
LEADER IN MULTI-CHANNEL
COMMUNICATION SERVICES.

REVIEW OF OPERATIONS

**CUSTOMER CONTACT
SOLUTIONS**

**AVERAGE 77%
CALL CENTRE
UTILISATION**

**TARGETED MEDIA
SOLUTIONS**

**MORE THAN
5 BILLION
CATALOGUES**

**BUSINESS PROCESS
OUTSOURCING**

**MORE THAN
1.1 BILLION
MAIL PACKS**

EACH OF SALMAT'S THREE DIVISIONS EXPERIENCED TRANSFORMATIONAL CHANGE DURING THE YEAR, HELPING TO REINFORCE SALMAT'S POSITION AS A MARKET LEADER IN BOTH ITS TRADITIONAL AND NEWER DIGITAL SERVICES.

Targeted Media Solutions

The year in review

'Digital' was the theme of 2011 for Salmat's Targeted Media Solutions (TMS) division, with significant activity in both existing and new service areas. The acquisition of a number of digital businesses in December 2010 was one of the most important initiatives in TMS for the year, helping to round out our capabilities in this area.

Investment in Lasoo was accelerated during 2011, with a \$4 million marketing drive. Both retailer activity and consumer engagement grew, with the number of offers on site up 48% to almost six billion and visits up 43% to more than 20 million. Salmat intends to continue marketing Lasoo and we remain on track to achieve run rate break even by the end of FY12 with this ongoing investment.

Mindful of a local market gap for a world-class online retail solution at a reasonable price, Salmat developed a new hosted e-commerce platform during the year. The first implementations are expected to commence in the first half of FY12.

In the traditional catalogue business, discretionary retailer volumes did fluctuate marginally in the second half; however large retailers maintained and in some cases grew their investment.

Salmat's new self-service SME portal at ldn.net.au launched during the year, providing the small-to-medium enterprise market with viable access to sophisticated customer targeting and marketing distribution services. With a current low share in the SME communication market, Salmat expects this client base to grow in significance to potentially account for 30-40% of the TMS division over the longer term.

Looking forward

The key objectives for the TMS division over the next twelve months are to continue to maintain our strong market share in catalogue distribution while growing volumes into non-traditional retailer markets; ramp up data services to support both traditional and new digital solution offerings; and of course drive the new digital businesses across the extensive Salmat client network.

Business Process Outsourcing

The year in review

The past year was one of improving efficiency, quality and services within Business Process Outsourcing (BPO), including site rationalisation, technology upgrades and new capabilities. As a result of these efforts, normalised margins increased slightly during the year despite a reduced revenue result.

Site integrations continued in SA and took place in Queensland and Victoria. As outlined at the half year, some short-term production inefficiencies associated with the Victorian relocation incurred additional costs during the period. The site is now running to expectations, with around \$1.8 million in annualised savings anticipated. As part of the review of operations, a number of back office duplications were identified and subsequently relocated to our shared services facility in Manila, achieving much greater efficiency.

New colour technology was also installed during the year, to meet market demand and improve our productivity in this area. Annualised savings of around \$2.8 million should flow from this refresh, from FY12 onwards. While mail volumes were down in the past twelve months, new business wins should see volumes restored in the year ahead.

Results for our e-solutions and scanning areas were up substantially in FY11. E-solutions in particular is expected to continue growing over the next few years as demand for these services increases. E-solutions sees the automation of traditional paper-based manual process businesses such as forms processing, accounts payable, exam marking and claims management. The e-solutions area has had resources allocated to accelerate new application development and prepare for the anticipated growth.

As part of the overall improvement drive, enhanced quality and client retention were also targeted during the year. Production incidents followed a downward trend through the year to finish below the target line by June 2011. Client retention was significantly higher than the previous year.

Looking forward

The main areas of focus over the next 12 months in BPO are further e-solutions platform development to enable the rollout of new electronic-based services; building BPO's professional services capabilities to drive additional strategic consulting revenue; and achieving further operational efficiencies from the initiatives undertaken in 2011.

Customer Contact Solutions

The year in review

Salmat's Customer Contact Solutions (CCS) division underwent a year of transformation in FY11, with completion of a strategic review to focus on full-service work; the closure of a major contact centre contract; and key changes in the smaller service portfolio.

CCS has for some time been taking steps to move away from basic 'labour for hire' contracts and move into more sophisticated full-service work. This strategy was accelerated in FY11 with the exit of the significant Telstra contract – which moved offshore – and the closure of an underperforming business in Asia, both of which impacted results during the year.

The Telstra-specific sites have now all been exited, some wider property portfolio rationalisation undertaken and the additional capacity opened up by the closure of the Telstra business was being filled by new business not long after year end.

The remainder of the contact centre business performed well, with a number of new clients commencing during the year and some good wins in the last quarter. The new mix of business should see contact centre margins improve by the end of FY12.

Direct and Retail Sales grew revenue as volumes improved in the second half. New field technology was deployed during the year to improve data capture and targeting to improve sales productivity. This division also started to focus on new areas of the market in which Salmat has not traditionally operated as well as some innovative new sales models.

Looking forward

CCS will continue to target full-service contracts and partnered solutions over the coming year, to drive new revenue and improved margins. We will also leverage the developments made during FY11 in Direct and Retail Sales, Speech Solutions and Learning Solutions to increase sales and earnings from these businesses. We have a strong pipeline for new business in all service areas of the division, which is expected to translate to improved results in FY12.

CORPORATE RESPONSIBILITY

SALMAT RECOGNISES THAT WE HAVE A RESPONSIBILITY TO CONDUCT OUR BUSINESS IN A RESPONSIBLE AND SUSTAINABLE MANNER, FOR THE BENEFIT OF OUR PEOPLE, OUR ENVIRONMENT AND OUR WIDER COMMUNITY.

People

As part of our commitment to providing a positive work environment, Salmat conducted its third culture survey in April 2011 using both the Organisational Cultural Inventory and the Organisational Effectiveness Inventory provided by consulting firm Human Synergistics. The results show that the company has been able to develop a constructive environment. The survey results are detailed and will be communicated across the company as a further step to encouraging a constructive work environment which brings out the best in our people.

Salmat's culture is supported by management development programs conducted in-house and with the Macquarie Graduate School of Management and with personal support for managers through lifestyle inventories. We are also committed to ongoing training across all levels of the organisation, with the ongoing use of the company's internal registered training organisation and online training provided by Salmat Learning.

Salmat employs a large and diverse workforce and is committed to providing participation opportunities to people from a wide spectrum of our community. Some of the key initiatives undertaken in support of this goal during the year included:

- The Women in Leadership Council continued to investigate ways in which career paths could be opened up for women in Salmat. A major initiative was the launching of the Aspire awards program for developing people of both genders but with a division specifically for development of women. This program includes a three-day training and development component.
- Salmat recognises that parenting and parental leave is just a normal part of the longer-term working life. From January 2011, Salmat has added a top up to the government's paid parental leave scheme. This is aimed at assisting people to maintain and develop their careers by encouraging parents to return to work after parental leave. It is aimed at both genders.

- Salmat has recently launched a Reconciliation Action Plan aimed at bridging the gap between indigenous and non-indigenous Australians. The implementation of the plan will be a major activity for 2011/12. From previous surveys, Salmat believes that 1.3% of our employees are Aboriginal or Torres Strait Islanders: one aim of the Reconciliation Action Plan will be to endeavour to increase that percentage over a number of years. Initiatives to help reach this aim include the roll out of an indigenous work experience program over the next 12 months.

Occupational health and safety (OHS) is an important goal for Salmat. During the past year, Salmat focused on reducing injuries through training and employee awareness. Salmat OHS set ambitious target limits for the company and provided the further challenge to lower these annually by 10%. Every year we continue to see reductions in work place injuries and lost time injuries.

In 2011, a total of 266 new incidents were recorded nationally by our permanent employees, including 38 incidents which resulted in one shift or more lost from work. The percentage of incidents resulting in time lost from work reduced by 420 basis points on the prior year and our Lost Time Injury Frequency Rate (LTIFR) was reduced for the fourth consecutive year, recording an 8% reduction against the previous year.

Community

Salmat is actively involved in supporting local and international charity and community initiatives.

Salmat's main fundraising vehicle is our Activate scheme, which is a payroll giving scheme where Salmat matches staff payroll donations dollar for dollar. More than \$270,000 was raised in 2011. This money was donated to Salmat projects through three key organisations: the Starlight Foundation (funding the Starlight room at Westmead Hospital for a year); the Fred Hollows Foundation (funding ophthalmologists in the Eastern Cape region of South Africa); and the Oaktree Foundation (helping unemployed youth in East Timor start a new life).

In the early months of 2011, our fundraising was diverted for a period to three major natural disasters in our region: the Queensland floods, Christchurch earthquake and Japanese tsunami. Staff also volunteered to operate a call centre to take donor calls for the Queensland flood appeal.

Salmat also endeavours to support community initiatives through our business practices. Salmat continued its membership of the Australian Indigenous Minority Supplier Council during the year, expanding our engagement of indigenous suppliers in areas such as telephony, consulting services and catering.

Environment

Salmat has established an Environmental Charter, which is published on our website. This charter outlines our goals to achieve:

- a 5% reduction per annum in electricity and water usage per full time equivalent employee (FTE); and
- a 10% reduction per annum in internal paper usage and waste to landfill per FTE.

While we reduced overall electricity consumption across our major sites by one tonne of CO₂ in the past year, our energy consumption per FTE has increased due to the reduction in our staff numbers by year end. The overall reduction was achieved via more efficient lighting and air conditioning systems at our new facilities; motion detection sensors at our new sites to turn off lights when there is no movement; and translucent panels installed in our warehouses to allow more natural light to filter in.

Water saving programs at our key sites and in all newly-built facilities are designed to lower our water consumption. All new sites have water efficient bathrooms and toilet facilities; rain water tanks, which are also used to flush our toilets; and gardens planted with drought-resistant native plants.

We have met our goal of reducing our internal paper usage per FTE by decreasing usage by 35% across key sites in the past 12 months. Steps such as setting printers to default to double-sided printing and increased use of electronic communication assisted this reduction.

We have also increased our paper and cardboard recycling by 36% during the past year, thereby significantly reducing our waste to landfill. The appointment of a new national recycling provider and the installation of new onsite contractors at our larger production sites to oversee effective recycling have made a significant contribution to this result.



BOARD OF DIRECTORS

1. RICHARD LEE

Non-executive Chairman

Richard Lee is Deputy Chairman of Ridley Corporation Limited and a Director of Newcrest Mining Limited and the Australian Rugby Union Limited. He is a Fellow and Chairman of the Australian Institute of Company Directors. He also holds degrees in chemical engineering and economics and is a Rhodes Scholar. Richard is a former Chief Executive of the NM Rothchild Australia Group and a former Director of NM Rothchild and Sons Limited in London, Singapore and Hong Kong.

2. FIONA BALFOUR

Non-executive Director

Fiona is an independent non-executive director of Metcash Limited and TAL Insurance (Dai-ichi Life, Australia). Fiona is a former member of the Qantas executive committee with responsibilities for information technology, procurement and property for Qantas worldwide and was subsequently Chief Information Officer of Telstra. She has advised Medibank Private and Link Market Services on IT strategy. Fiona is a member of the Information Technology Faculty Advisory Board of Monash University, a Councillor of Knox Grammar School and a Fellow of the Australian Institute of Company Directors. She holds a BA (Hons), Graduate Diploma in Information Management, an MBA and is a Fellow of Monash University.

3. IAN ELLIOT

Non-executive Director

Ian is a non-executive director of Hills Industries Limited, former chairman of Promentum Limited and is currently on the board of the National Australia Day Council and a Fellow of the Australian Institute of Company Directors. Ian is also a former chief executive officer of George Patterson Bates and a graduate of the advanced management program of the Harvard Business School.

4. PETER MATTICK

Non-executive Director

Peter Mattick is a joint founder of Salmat. Peter joined in business with Phillip Salter, forming Salmat in 1979. Peter, who holds a degree in Commerce from the University of New South Wales, is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Australian Institute of Company Directors, a Governor of the Advisory Council for the Institute of Neuromuscular Research and a Board member of The Shepherd Centre.

5. PHILIP SALTER

Non-executive Director

Philip Salter is a joint founder of Salmat. Philip entered the real estate business in 1977. In 1979 Philip and Peter formed Salmat, developing the business into one of Australasia's leading customer communications companies. Philip is a member of the Australian Institute of Company Directors.

6. JOHN THORN

Non-executive Director

John Thorn has been a non-executive director of Salmat Limited since September 2003. John has had over 37 years professional experience with PricewaterhouseCoopers (PwC), with over 20 years as a partner responsible for significant international and Australian clients. John was the Australian National Managing Partner of PwC and a member of the Global Audit Management Group until 2003. John is also currently a non-executive director of National Australia Bank Limited (since October 2003), Caltex Australia Limited (since June 2004) and Amcor Limited (since December 2004).

7. GRANT HARROD

Chief Executive Officer and Managing Director

Grant Harrod is the Chief Executive Officer of Salmat, assuming this role in early April 2009. Prior to this, Grant spent 13 years with Corporate Express Australia Limited – a leading business supplies distributor – where he served as Managing Director and Chief Executive Officer for six years. Grant's previous roles at Corporate Express included General Manager of Sales and Marketing and General Manager of Operations. Grant has a Masters of Business Administration from Macquarie Graduate School of Management.



WITH AN EXTENSIVE RANGE
OF SKILLS AND EXPERIENCE,
SALMAT'S DIRECTORS
DRIVE THE STRATEGIC
DIRECTION AND OVERALL
CORPORATE GOVERNANCE
OF THE BUSINESS.

SENIOR LEADERSHIP TEAM

1. GRANT HARROD

Group Chief Executive Officer

Grant Harrod is the Chief Executive Officer of Salmat, assuming this role in early April 2009. Prior to this, Grant spent 13 years with Corporate Express Australia Limited – a leading business supplies distributor – where he served as Managing Director and Chief Executive Officer for six years. Grant's previous roles at Corporate Express included General Manager of Sales and Marketing and General Manager of Operations. Grant has a Masters of Business Administration from Macquarie Graduate School of Management.

2. PETER ANSON

Group Chief Operating Officer

Peter Anson was appointed COO in August 2008 and has over 19 years experience with Salmat. Peter is responsible for the overall growth and profitability of Salmat's operations and the alignment of strategies across the company's three business units. Peter previously held the position of Programme Director for Optimise – an enterprise-wide initiative aimed at reviewing and re-engineering processes, systems, products and services to provide a platform for continued revenue and profit growth across the organisation.

3. CHAD BARTON

Group Chief Financial Officer

Chad Barton commenced with Salmat as Chief Financial Officer in August 2009. Chad previously held the position of Chief Financial Officer with Electronic Data Systems Corporation (EDS), a HP company, in Australia and New Zealand as well as CFO for EDS's Global Financial Services practice. Prior to this, Chad was Commercial Director with Singtel Optus Limited and CFO for SunSystems Australia and New Zealand. Chad is a Chartered Accountant and has professional experience at Arthur Andersen.

4. DAVID BESSON

Chief Executive Officer –
Customer Contact Solutions

David Besson was appointed CEO of Salmat's Customer Contact Solutions division in August 2011, following the resignation of Andrew Hume. With over 25 years experience with Salmat, David has previously served as CEO of Targeted Media Solutions and CEO of Business Process Outsourcing division.

5. GEOFFREY COURT

Head of People and Culture

Geoffrey Court heads Salmat's People and Culture team, having fulfilled a similar role within Salesforce (now CCS) since 1999. Key responsibilities include supporting managers in areas such as people development, staff engagement, training, industrial issues and culture. Geoffrey previously worked for Ansett Australia, in marketing and people management roles.

6. NICK DEBENHAM

Chief Executive Officer –
Business Process Outsourcing

Nick Debenham was appointed CEO of Business Process Outsourcing in June 2010. With a long and distinguished sales and executive management career with organisations including HP and QM Technologies, Nick continues to develop Salmat's leadership position in the BPO space.

7. DAVID HACKSHALL

Group Chief Information Officer

David Hackshall commenced as Chief Information Officer with Salmat in November 2009. David previously worked as Global CIO with Babcock & Brown, and prior to this with Staging Connections Group. David has also held senior roles with Patrick Corporation and Ord Minnett. He joined the senior leadership team to provide the appropriate strategic IT focus for Salmat moving forward.

8. IAN JONES

Head of Sales

Ian was appointed Head of Sales in March 2011 after working as the Executive General Manager of Sales for Targeted Media Solutions. Ian started with Salmat in 1992 and has held a number of sales and general management positions across the company within Customer Contact Solutions and Targeted Media Solutions. He has been instrumental in the development of Salmat's digital strategy and how this integrates across Salmat's broader capability and the One Salmat strategy.

9. NICK SPOONER

Chief Executive Officer – Salmat Digital

Nick joined Salmat in late August 2011 as CEO of the recently-formed Salmat Digital business, incorporating web, email, mobile, e-commerce and social media services. Nick comes to Salmat with a wealth of digital media experience, having previously fulfilled strategic leadership roles as Chief Digital Media Officer for Network Ten, Chief Operating Officer at ninemsn and Group Director at SingTel Optus. Nick will play a key role in driving Salmat's digital business through its next stage of development and growth.

10. DAVID WEBSTER

Chief Executive Officer –
Targeted Media Solutions

David Webster was appointed CEO of Salmat's Targeted Media Solutions division in August 2011, following David Besson's appointment as CEO of Customer Contact Solutions. David had previously worked with Salmat for more than 18 years in key leadership roles within the TMS division across Australia and New Zealand, most recently as Executive General Manager of Letterbox Distribution.

**SALMAT'S SENIOR LEADERSHIP
TEAM IS RESPONSIBLE
FOR THE DAY-TO-DAY
IMPLEMENTATION OF SALMAT'S
GROWTH STRATEGY AND
MAINTAINING HEALTHY
BUSINESS OPERATIONS.**



SALMAT LIMITED

ABN 11 002 724 638

REGISTERED OFFICE

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DIRECTORS

Richard Lee Chairman
Fiona Balfour Non-executive Director
Ian Elliot Non-executive Director
Grant Harrod Managing Director
Peter Mattick Non-executive Director
Philip Salter Non-executive Director
John Thorn Non-executive Director

COMPANY SECRETARY

Stephen Bardwell

AUDITORS

Ernst & Young
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Westpac Banking Corporation

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STOCK EXCHANGE LISTING

Salmat Limited shares are listed on the
Australian Securities Exchange.
ASX code: SLM

ANNUAL GENERAL MEETING

10.00am, Wednesday 16th November 2011
AGL Theatre, Museum of Sydney
Corner Bridge and Phillip Streets
SYDNEY NSW 2000

Please refer to the formal
Notice of Meeting for full details.

KEY DATES**Final dividend payment**

28 September 2011

Annual General Meeting

16 November 2011

Half year results

February 2012

Interim dividend

April 2012

**Full year results and dividend
announcement**

August 2012

The Australian Securities Exchange
will be notified of any changes to
these dates.



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