HALF YEAR RESULTS TO 31 DECEMBER 2011

16 FEBRUARY 2012

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.

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Agenda

Half year overview

Strategy update

Group financial performance

Business unit update

Market update

HALF YEAR OVERVIEW

GRANT HARROD

Overview

- 1H12 sequential revenue performance stable despite weak operating environment impacting trading and impact of the Telstra CCS contract closure. Impact offset by contribution from digital acquisitions and organic growth.
- Positive progress with strategic initiatives and extension of multi-channel communication focus through technology improvements and digital growth.
- Digital strategy on track. Synergies slightly behind schedule following decision to extend integration timetable.
- Strong cash conversion driving solid operating cash flow increases.
- Feedback confirms trading conditions to remain weak in 2H12 so guidance revised to $78-83 million EBITA in FY12.

$ million	H1 2012	H2 2011	% change previous period	H1 2011	% change pcp
Sales revenue	422.3	415.4	+ 1.7%	447.6	- 5.7%
EBITDA	48.0	45.4	+ 5.7%	55.0	-12.7%
Underlying EBITA*	38.0	39.8	- 4.5%	48.8	- 22.1%
Statutory profit (NPAT)	13.5	13.3	+ 1.5%	22.7	- 40.5%
Ordinary dividend (cents per share)	8.5	12.5	- 32.0%	11.5	- 26.1%

* Underlying EBITA is before significant negative items of $1.1m ($0.8 million after tax) for H1 FY12 and $4.9 million ($3.4 million after tax) in pcp. These figures are as set out in Salmat's reviewed financial statements for period ending 31 December 2011.

Transformation strategy on track

	one salmat	digital services growth	new markets	productivity & efficiency
Strategy	*Leverage our blue chip client base.*	*Capture high-growth digital communication market.*	*Optimise current services to extend into new markets.*	*Improve margins.*
Activity	Deliver multi-channel communication solutions.	Build out digital services across the group.	Launch online portal to target SME market.	Eliminate duplication; upgrade systems and processes.
Progress	Multi-channel sales up from 40% of wins in 1H11 to 52% in 1H12.	Group wide digital-based revenue grew 49% on pcp driven by acquisition and growth in existing and new services.	SME first half EBITA up more than 20% on pcp.	Group opex reduced by 6.7% over four years to FY11 (before acquisitions).

Actively addressing business challenges

Challenges	Actions
▪ Weak operating environment	▪ Continue to grow market share via multi-channel sales strategy to new and existing clients; and refine cost base.
▪ Organic growth	▪ Building digital services to capture new high-growth markets and focusing on cash returns in traditional businesses.
▪ Exposure to major contracts	▪ Extending client portfolio. Now no single client accounting for >6% revenue.
▪ Competition	▪ Differentiate via scale, multi-channel capability, superior service and innovation leadership.

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GROUP FINANCIAL PERFORMANCE

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Summary 1H12 financial performance

$ million	H1 2012	H2 2011	% change previous period	H1 2011	% change pcp
Sales revenue	422.3	415.4	+ 1.7%	447.6	- 5.7%
EBITDA	**48.0**	**45.4**	**+ 5.7%**	**55.0**	**- 12.7%**
Depreciation	(11.1)	(9.9)	- 12.1%	(11.1)	-
EBITA	36.9	35.5	+ 3.9%	43.9	- 15.9%
Significant items	1.1	4.3	NMF	4.9	NMF
Underlying EBITA	**38.0**	**39.8**	**- 4.5%**	**48.8**	**- 22.1%**
Underlying EBITA margin	9.0%	9.6%	- 60bp	10.9%	- 190bp
Amortisation	(6.3)	(6.7)	+ 6.0%	(5.3)	- 18.9%
Net interest	(10.8)	(10.1)	- 6.9%	(6.8)	- 58.8%
Tax expense	(6.6)	(6.7)	+ 1.5%	(10.6)	+ 37.7%
Underlying profit (NPAT)	**14.3**	**16.3**	**- 12.3%**	**26.1**	**- 45.2%**
Significant items after tax	(0.8)	(3.0)	NMF	(3.4)	NMF
Statutory profit (NPAT)	**13.5**	**13.3**	**+ 1.5%**	**22.7**	**- 40.5%**
Earnings per share (cents)	8.5	8.3	+ 2.4%	14.4	- 41.0%
Ordinary dividend (cps)	8.5	12.5	- 32.0%	11.5	- 26.1%

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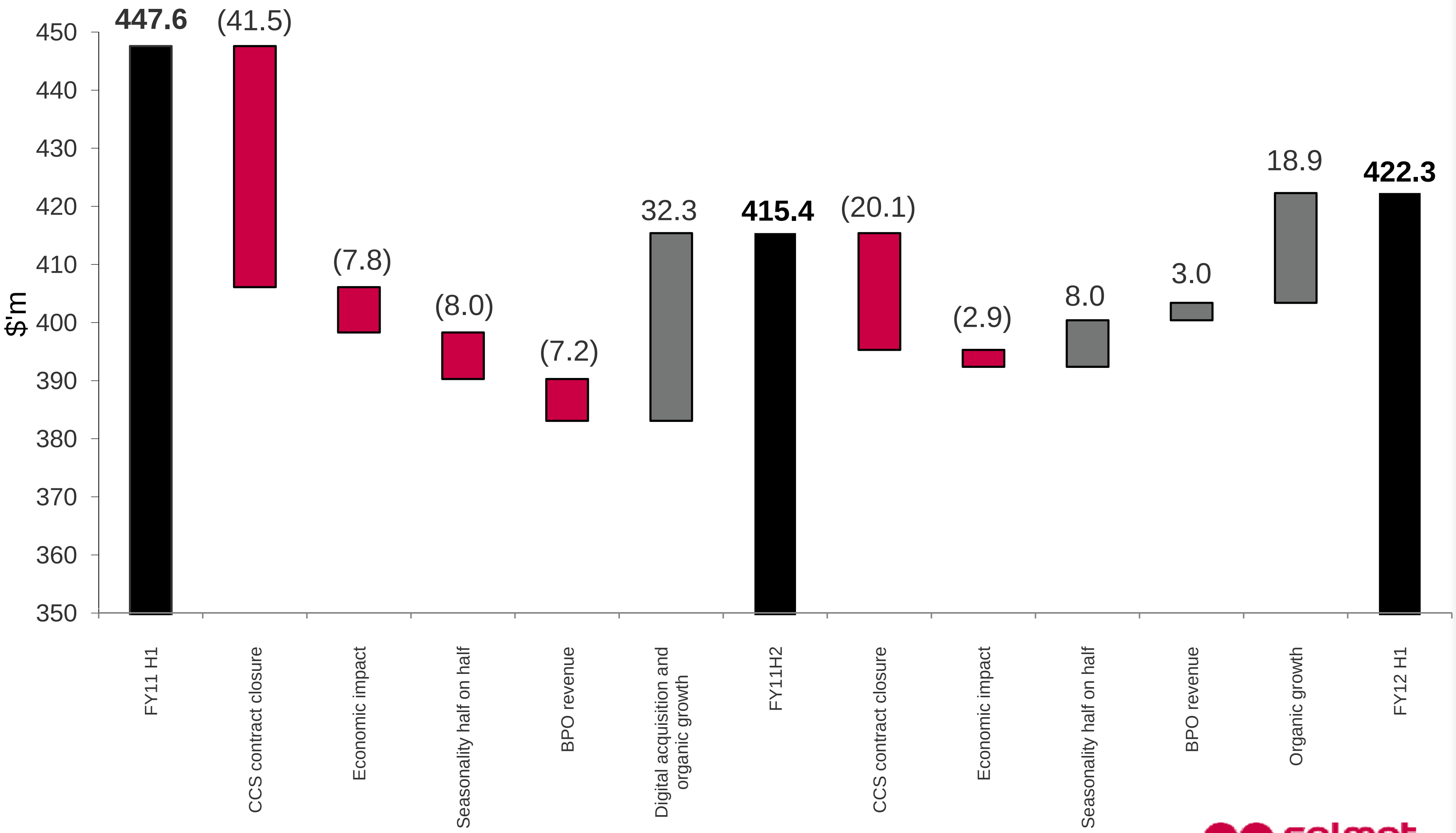
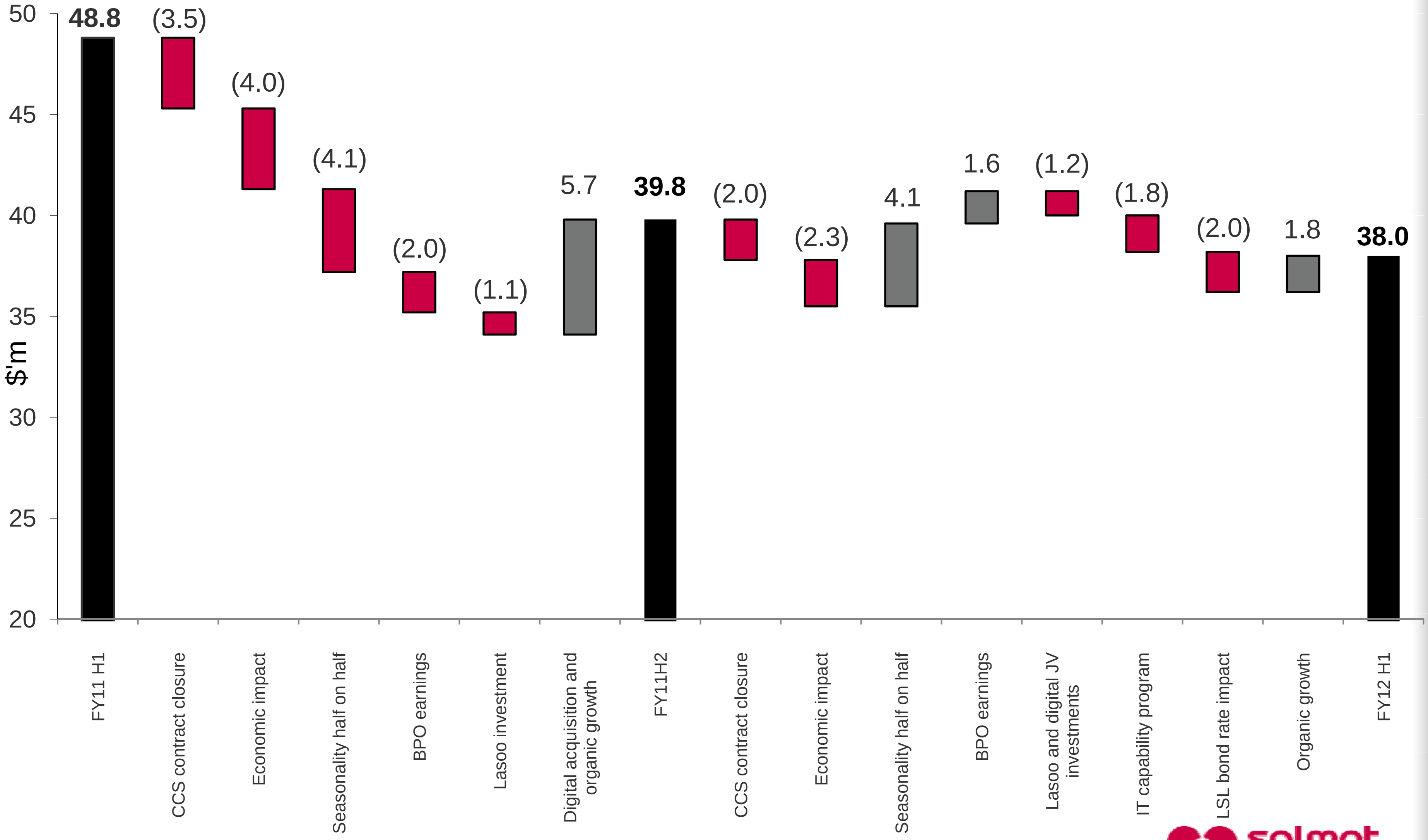
Revenue bridge



Underlying EBITA bridge



Balance sheet

$ million	H1 2012	H2 2011
Cash and cash equivalents	33.9	20.6
Accounts receivable	109.7	114.3
Fixed assets	64.9	61.4
Goodwill and intangibles	454.4	460.5
Other	41.6	36.2
Total assets	**704.5**	**693.0**
Current liabilities	131.1	120.0
Non-current borrowings	282.7	275.1
Other non-current liabilities	20.5	19.8
Total liabilities	**434.3**	**414.9**
Equity	**270.2**	**278.1**

Debt facilities

Net debt down $4.8 million from June 2011 to $253.5 million.

Gearing ratio at 48.4% has remained consistent since June 2011.

Tranche B ($105 million) of senior debt extended 12 months to December 2013 under same conditions.

Tranche A ($105 million – maturing December 2013) and Tranche C ($99 million – maturing December 2014) unchanged.

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Operating cash flow up $20.8m on pcp

$ million	H1 2012	H2 2011	Change $Am	H1 2011	Change $Am pcp
Cash from operations	61.2	46.2	+15.0	53.1	+8.1
Net interest	(10.8)	(8.7)	-2.1	(7.4)	- 3.4
Tax	(6.8)	(8.7)	+1.9	(19.0)	+12.2
Restructure payments	(1.1)	(9.7)	+8.6	(5.0)	+ 3.9
Net operating cash flow	**42.5**	**19.1**	**+ 23.4**	**21.7**	**+ 20.8**
Cash capital expenditure	(10.3)	(13.2)	+ 2.9	(10.6)	+0.3
Dividends paid	(20.0)	(18.4)	-1.6	(35.8)	+15.8
Borrowings proceeds	6.0	75.3	- 69.3	-	+ 6.0
Business investments	(3.1)	(74.7)	+71.6	(0.3)	- 2.8
Other	(1.9)	(3.7)	+1.8	1.9	- 3.8
Net financing and investing cash flow	**(29.3)**	**(34.7)**	**+ 5.4**	**(44.8)**	**+ 15.5**
Net cash movement	**13.2**	**(15.6)**	**+ 28.8**	**(23.1)**	**+ 36.3**

- Strong working capital management.
- $3.1 million cash investment in strategic digital joint ventures.
- Total capex of $14.5m (1H11 $14.8), of which $10.3 million is in cash.
- $4 million capex relates to business as usual and $10.5 million is growth based: production technology for further colour and efficiency platforms and in technology hardware and software upgrades and refreshes.

BUSINESS UNIT UPDATE

GRANT HARROD

Business Process Outsourcing (BPO)

$ million	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Sales revenue	158.6	155.6	+ 1.9%	162.9	- 2.6%
Underlying EBITA	21.5	19.9	+ 8.0%	21.9	- 1.8%
Margin	13.6%	12.8%		13.4%	

	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Mail pack impressions	1.89b	1.70b	+ 11.2%	1.84b	+ 2.7%
Mail pack volumes	539m	508m	+ 6.1%	546m	- 1.3%
E-documents	50m	44m	+ 13.6%	34m	+ 47.1%
E-business as % revenue	14.9%	15.2%	- 30bp	11.7%	+ 320bp

Business Process Outsourcing commentary

- Solid new business performance, increased e-solutions and scanning sales.
- Earnings and margin supported by efficiencies gained via site consolidations and colour refresh in FY11 and higher margin e-solutions sales.
- Impressions have increased over the past 12 months, as customers increase cross-promotions within bills and statements.
- Total mail pack volumes stable due to new business and reduced shift to electronic.
- Results highlight sector resilience as we help clients manage their cash flow and improve their customer engagement.

Targeted Media Solutions (TMS)

$ million	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Sales revenue	142.5	129.1	+ 10.4%	121.8	+ 17.0%
Underlying EBITA	18.7	20.1	- 7.0%	22.5	- 16.9%
Margin	13.1%	15.6%		18.5%	

- Revenue was up on the prior period, with contribution from the new digital businesses and volume increases in catalogue distribution plus SME growth.
- EBITA margins down predominantly due to weaker trading conditions impacting client mix and reduction in higher-margin activities in catalogue.
- EBITA also impacted by continued investments (up $2.3 million on pcp) in Lasoo, Roamz and new e-commerce service, plus digital integration costs.

Targeted Media Solutions - catalogues

- Solid volume performance in tier 1 retailers.
- Tier 2 and 3 retailers reduced catalogue activity on the back of weaker trading conditions, especially in discretionary sectors (lifestyle, fashion etc).
- SME channel up 7% on pcp, now annualised at 300m catalogues.
- Excellent client service performance: deliverability consistently above 98% across all measures.
- Non-traditional clients growing in areas including FMCG, pharmaceutical and financial services.

	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Catalogue volumes	2.68b	2.39b	+ 12.1%	2.61b	+ 2.7%

Targeted Media Solutions - digital

- Established Salmat Digital as the leading digital communication company, servicing web, data analytics, e-commerce, social media, interactive services, mobile, e-solutions and Lasoo.
- Achieved sequential revenue growth of 6% against H2 FY11.
- New CEO of digital (Nick Spooner): commenced late August.
- Focus is on building a scalable digital business, strengthening leadership structure and upgrading systems, which will defer the acquisition synergies.
- Invested $3.8m during the period to drive digital strategy, including Lasoo, e-commerce, Roamz and additional digital services.
- Have developed a strong position with a unique multi-channel digital offering in a high growth market.

	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Interactive email	255m	185m	+ 37.8%	201m *	+ 26.9%
Interactive SMS	39m	36m	+ 8.3%	34m *	+ 14.7%

* Adjusted to include acquisition

Targeted Media Solutions - Lasoo

- Continued growth in traffic flowing from growing consumer demand for researching purchases online. Access via mobile device up significantly, providing exciting new channel for advertisers.

- Lasoo investment cost of $2.5m in first half: forecasting additional investment of $1.1m in second half (FY12 $3.6m).

- Shifting strategic focus from technological development to accelerating commercialisation and revenue growth.

- Now 50% of revenue from performance based pricing, up from 35% last year.

	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Lasoo total visits	12.6m	10.1m	+ 24.8%	10.1m	+ 24.8%
Total monthly unique visitors	6.1m	5.6m	+ 8.9%	5.9m	+ 3.4%
Lasoo offer interactions	24.3m	19.6m	+ 24.0%	22.1m	+ 10.0%
Lasoo offer impressions	3.28b	2.69b	+ 21.9%	3.24b	+ 1.2%
Mobile device visits	1.9m	1.0m	+ 90.0%	0.9m	+ 111%

Customer Contact Solutions (CCS)

$ million	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Sales revenue	121.3	130.8	- 7.3%	162.9	- 25.5%
Underlying EBITA	5.7	5.9	- 3.4%	10.0	- 43.0%
Margin	4.7%	4.5%		6.1%	

	H1 2012	H2 2011	change previous	H1 2011	% change pcp
Call centre seat utilisation (average)	62%	62%	-	77%	- 15%

Customer Contact Solutions commentary

- $41.5 million of Telstra revenue in 1H11 and $20.1 million in 2H11 so new business wins already making up a good portion of shortfall. Focus now on full service opportunities.
- Margins impacted by start up costs implementing new clients won plus lower returns in direct sales given reduction in discretionary spend.
- Speech delivering solid performance under new leadership, divestment of UK and USA and growing market demand for speech technology solutions.
- Rolling out new VOIP telephony infrastructure; will provide opportunity to improve operating efficiency and expand client services to include multi-channel communication.
- Established a unique position to deliver multi channel customer service solutions.

MARKET UPDATE

GRANT HARROD

Market update

- Recent feedback from clients has highlighted growing uncertainty around trading conditions. In light of the deterioration in sentiment, we are adjusting our forecast for underlying EBITA for the full year to $78-83 million.
- Focus on further efficiency opportunities - anticipate restructuring costs of around $1.5 million (after tax) in 2H12 with margin benefit.
- Anticipate earnings growth to accelerate as investment in growth strategy begins to scale.

Summary

- Established unique multi-channel services business: organisations now recognise the value of engaging in multi-channel communication with their customers.
- Strong traditional businesses: market leaders and good cash generation.
- Confident in strategy: digital growing in importance, One Salmat delivering benefits.
- Balance sheet well positioned, continue managing costs prudently.
- Conservative view on outlook reflects market conditions, not business capability.
- Ready to face the challenging conditions with sound financials, acceptable gearing, strong cash flows and a clear strategy to deliver sustainable earnings. Board and management confident about ability to deliver continuing strong dividends.


THANK YOU


APPENDIX

Divisional summary

$ million	H1 2012	H1 2011	% change
Reported sales revenue: Business Process Outsourcing Targeted Media Solutions Customer Contact Solutions	 158.6 142.5 121.3	 162.9 121.8 162.9	 - 2.6% + 17.0% - 25.5%
Group reported sales revenue	422.3	447.6	- 5.7%
Underlying EBITA: Business Process Outsourcing Targeted Media Solutions Customer Contact Solutions Corporate	 21.5 18.7 5.7 (7.9)	 21.9 22.5 10.0 (5.6)	 -1.8% -16.9% - 43.0% - 41.1%
Group underlying EBITA	38.0	48.8	- 22.1%
Significant items	(1.1)	(4.9)	NMF
Group EBITA	36.9	43.9	-15.9%