HALF YEAR RESULTS TO 31 DECEMBER 2012

26 FEBRUARY 2013

OVERVIEW AND STRATEGY UPDATE

Grant Harrod

Highlights H1 2013

- Strategic sale of legacy BPO division for $375m
- Underlying[1] NPAT up 46% to $9.5m
- Statutory NPAT for total group of $41.5m
- Net cash position at 31 December 2012 of $111.8m
- Announced fully franked special dividend of $0.21 cents per share
- Simplified business model concentrating on delivering technology platforms and solutions to drive commerce and customer service
- Balance sheet well positioned to drive shareholder value; with focus on strategy, further capital management and investment
- Announced fully franked interim dividend of $0.04 cents per share

[1] Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

Financial Summary

$ million	H1 FY13 $'m	H1 FY12 $'m	Change $ million	Change %
Reported sales revenue*	241.5	263.8	-22.3	-8.5%
Underlying[1] NPAT	9.5	6.5	+3.0	+46%
Statutory Net Loss After Tax*	-2.1	5.9	-8.0	NM
Statutory profit (NPAT)	41.5	13.5	+28.0	+207%
Net Cash / (debt)[2]	111.8	(241.6)	+353.4	+146%

* Continuing business

[1] Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D
[2] Net debt comparison as at 30 June 2012

Strategic Vision

Salmat enables clients' to deliver their commerce and engagement strategy

Salmat provides technology platforms & solutions to find, acquire, grow and retain customers

Salmat maximises our clients' Return on Communication

Business Communications landscape changing

- Traditional media is no longer as effective
- Disruptive forces of a fragmenting media landscape and new technology are driving significant change across our client base
- Power has shifted to the consumer who demands more of brands, so it is critical that businesses target the right message to the right person over the best channel at the right time
- Our customers’ are telling us they want multi-channel communication & commerce services, agile systems and a single customer view
- Salmat has a deep history in delivering cost effective solutions on industrial grade platforms
- We are renowned for removing complexity and inefficiency to be partner of choice in this new communications landscape

The Salmat Strategic Journey

YESTERDAY

TMS

Services
- Letterbox
- Digital Messaging
- Data Analytics
- Consumer channels

Platforms

Cognos
Lasoo
Roamz
MarketFind
email

BPO

Services
- Direct Mail
- Essential Mail
- Scanning

Platforms

OCE
Xerox
IBM
Oracle
Kodak
Codalite

CCS

Services
- Call Centres
- Direct Sales
- Speech

Platforms

Genesys
Auraya
Nuance

TODAY

Customer Marketing Solutions (CMS)

Services
- Marketing Services
- eCommerce
- Campaign Management
- Letterbox channel
- Data Services
- Consumer channels

Platforms
- ***Teradata***
- ***Hybris***
- ***Kenshoo***
- Cognos
- MessageNet
- Email
- Lasoo
- Roamz
- MarketFind

Customer Engagement Solutions (CES)

Services
- Multi-channel contact centre
- Hosted unified communication solutions
- Automated speech
- Direct Sales

Platforms
- ***Avaya***
- ***Kana***
- Nuance
- Auraya

Our Customers

GROUP FINANCIAL PERFORMANCE

Chad Barton

Summary Financial Performance – H1 2013

$ million	H1 FY13 $'m	H1 FY12 $'m	Change $'m
Continuing operations			
Reported sales revenue	241.5	263.8	-22.3
Underlying EBITDA[1]	**20.9**	**21.6**	**-0.7**
Depreciation	-5.9	-5.2	-0.7
Underlying EBITA[1]	**15.0**	**16.4**	**-1.4**
Underlying EBITA margin[1]	*6.2%*	*6.2%*	*0.0%*
Amortisation	-1.3	-1.5	0.2
Net interest	-1.0	-5.5	4.5
Tax expense	-3.2	-2.9	-0.3
Underlying profit (NPAT)[1]	**9.5**	**6.5**	**3.0**
Significant items after tax (continuing operations)	-11.7	-0.6	-11.1
Profit / (Loss) (NPAT) from continuing operations	**-2.2**	**5.9**	**-8.1**
Profit (NPAT) from discontinued operations (incl significant items)	43.6	7.6	36.0
Total Statutory profit (NPAT)	**41.5**	**13.5**	**28.0**
Statutory earnings per share (cents)	26.2	8.5	17.7
Underlying earnings per share (cents) from continuing operations[1]	6.0	4.1	1.9

[1] Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

Significant Items – Continuing Operations

	H1 FY13 $'m	H1 FY12 $'m
Restructuring costs	-	-0.8
Joint Ventures	-1.0	-
Impairment charge	-8.8	-
Separation costs	-3.5	-
Significant items before tax	**-13.3**	**-0.8**
Tax effect	1.6	0.2
Significant items after tax	**-11.7**	**-0.6**

- JVs set up costs – consistent with 30 June 2012
- Impairment charge – discontinued products within CMS
- Separation costs - restructuring and property consolidations
- Cash paid in H1 is $1m

Discontinued Operations

	H1 FY13 $'m	H1 FY12 $'m
Significant items		
Restructuring costs	-	-0.3
Gross profit on sale of BPO division	42.1	-
Transaction costs	-6.7	-
Separation costs	-5.9	-
Digital Post Australia	-0.2	-
Significant items before tax	**29.1**	**-0.3**
Tax benefit	3.6	0.1
Significant items after tax	**32.9**	**-0.2**
Underlying[1] NPAT from discontinued operations	10.7	7.8
Total NPAT from discontinued operations	**43.6**	**7.6**

- Sale of BPO completed on 10 October 2012 - accounting profit $42.1m achieved on net assets sold
- Not expecting CGT on profit on sale
- Transaction costs – advisor and other transaction fees
- Separation costs – primarily IT related
- Cash outflow H1 13 is $9.2m - $7.2m from transaction and separation costs, and $2m NPAT from discontinued operations

[1] Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

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Operating Cashflow

$ million	H1 FY13	H1 FY12	Change $Am
Continuing operations			
Underlying[1] EBITDA	20.9	21.6	-0.7
Operating cash flow	19.7	21.3	-1.6
EBITDA conversion to cash flow	94%	99%	-5%
Interest	-1.0	-5.5	4.5
Tax	-4.0	-3.2	-0.8
Significant item cash payments	-1.0	-0.3	-0.7
Net Operating cash flow from continuing operations	**13.7**	**12.3**	**1.4**
Cash outflow from discontinued operations	-9.2	30.2	-39.4
Total Net operating cash flow	**4.5**	**42.5**	**-38.0**
Financing and Investing activities			
Cash capital expenditure	-7.4	-10.4	3.0
Dividends paid	-16.8	-20.0	3.2
Proceeds from disposals	355.7	0.2	355.5
Net borrowings repayment	-160.5	-	-160.5
Other	-1.9	0.9	-2.8
Net financing and investing cash flow	**169.1**	**-29.3**	**198.4**
Net cash movement	**173.6**	**13.2**	**160.4**

- Maintained very strong EBITDA conversion to operating cash flow of 94%
- Cash outflow from discontinued ops:
  - Operating cash flow discontinued ops (-$2m)
  - Significant items payments (-$7.2m)
- Cash capex
  - $3m – Project Reach
  - $2.4m – IT and other equipment
  - $2m in discontinued ops
- Proceeds of disposal ($355.7m) after finance leases ($19.3m)
- Net borrowings reduction primarily $155m of long term liabilities – cancel Tranche A and B facilities

[1] Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

Balance Sheet

$ million	31 Dec 2012 $'m	30 June 2012 $'m	Change $'m
Cash and cash equivalents	210.9	37.4	173.5
Accounts receivable	67.8	112.6	-44.8
Fixed assets	18.3	59.8	-41.5
Goodwill and intangibles	152.1	448.4	-296.3
Other	24.6	38.2	-13.6
Total assets	**473.7**	**696.4**	**-222.7**
Current liabilities	70.8	132.1	-61.3
Non-current borrowings	99.0	247.3	-148.3
Other non-current liabilities	7.1	46.0	-38.9
Total liabilities	**176.9**	**425.4**	**-248.5**
Equity	**296.7**	**271.0**	**25.7**

- Significant de-risking of balance sheet
- Net cash at 31 Dec 2012 of $111.9m vs Net debt 30 June 3012 of $241.6m
- Facility (Tranche C) available of $99.0m – fully drawn. Expires Dec 2014
- Significant reduction in intangible assets = higher quality balance sheet
- Increase in equity 10%

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Cost Savings & Corporate Costs

- Targeting $10 million of annualised savings – company wide review
- Areas of savings – Labour, Property rationalisation (Sydney head office), IT consolidation
- IT separation and consolidation
  - Current dependency on FujiXerox for IT infrastructure and some applications
  - Project Phoenix - reestablishment of IT infrastructure for Salmat including data centres, network and server environment
  - Cash investment predominately in FY14 – majority is already provided for against gain on sale of BPO
  - Expected completion – end FY14
- Expecting additional significant items relating to separation of BPO business, managing Transition Services and cost of implementing savings
- Due to complexity of separation and transition from BPO, corporate costs $3-4m higher in FY13 than anticipated under continuing business model. These additional costs will reduce during FY14
- Corporate costs for FY13 expected to be flat on FY12

BUSINESS UNIT REVIEW AND OUTLOOK

Grant Harrod

Consumer Marketing Solutions

CMS $ million	H1 FY13 $'m	H1 FY12 $'m	Change $ 'm pcp
Sales revenue	136.1	142.5	-6.4
Underlying[1] EBITA	17.5	18.7	-1.2
Margin	12.9%	13.1%	-0.2%
Catalogue volumes	2.60bln	2.65bln	-1.9%

- New CMS division, consolidate leadership and sales focus across Targeted Media & Salmat Digital, excellent opportunity to leverage existing client relationships and expand services offered
- Trading impacted by weak retail environment
- Holding market share in all sectors; opportunity to increase share in new on-line channels
- Catalogue volumes, now the only intrusive media, showed 2% contraction within specialty retailers, but otherwise consistent in the challenging media landscape
- New client sales improving, but still behind expectation
  - New leadership team in place & having an impact
  - Upgrading of some systems to improve scalability
  - Performance to date a reflection of internal changes not market potential
- Investment in Lasoo and eCommerce ($2.2m)

[1] Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

CMS – Targeted Media outlook

- Catalogue channel remains resilient around majors, contraction in small & mid tier retailers. Expect will improve with retail sector improving. Continue to expand channel by growing SME & non traditional retailer sectors

- 'Direct Media' (non traditional retail sector) strategy building momentum, targeting FMCG, Auto manufacturers, Banking & Media Agencies

- SME strategy continues to make solid progress
  - www.LDN.net.au portal, revenue growth +13%, EBITA +50%
  - Annualised run rate of 500m catalogues, compared to 400m at 30 June 2012
  - Plans to extend portal to include digital marketing services

- Launched new Local Area Marketing Planner service
  - Local area marketing is new sales battleground – Salmat ideally positioned with highly targeted services
  - A 'white label' version of LDN catalogue planning solution, enable multi and single store retailers to adopt campaign management solution to plan local store campaigns

CMS – Consumer channel outlook

- Continued earnings growth saw investment reduced to ($0.5m) in H1 vs ($2.5m) H1'12
- Mobile visits up +50%
- Unique visitors flat but catalogue pages clipped +13%, and offers clipped +27%
- 78% year on year growth in revenue from Cost per Interaction
- Trialling additional revenue streams, including "intent to purchase" data
- "Store Locator" most used function, reviewing technology to capture 'stock on hand' data to enhance user experience
- "Universal catalogue" supporting many retailer on-line sites
- Online / mobile has major impact on off-line
  - 55% of shoppers use smartphones to find a store
  - 40% of retail sales are researched online

CMS – Campaign Management Services

Commerce

We help our clients extend their brand, sales and service capabilities enabling transactions across all digital channels

Marketing

We help our clients to manage campaigns and deliver targeted communications across all digital channels

Loyalty

We help our clients to interact and engage with customers to build profitable and lasting relationships

Data Services

We help our clients make accurate and relevant decisions across the customer journey by processing, enriching, managing and analysing their data

Geography

Industry

Market Tier

CMS – Campaign Management Services outlook

- Establishing portfolio of world class cloud-based technology platforms
- Commerce services
  - Hybris hosted platform now fully implemented
  - A number of contract wins in target market – mid to large size clients
  - Has required investment in the period of $1.7m & further refinements of strategy
- Marketing services
  - Digital messaging, IVR campaigns - 408m emails (pcp 255m), 55m SMS (pcp 39m)
  - Event management - ran two of the largest TV voting shows (Big Brother & X Factor)
  - Implementation of new technology systems to expand services to include marketing resource management (MRM) and digital asset management (DAM) to oversee our customers marketing operations
- Data services
  - Services include loyalty program management, customer targeting & segmentation
  - Reviewing new data insights capabilities
- Search
  - Search Engine Optimisation (SEO) & Search Engine Marketing (SEM)
  - Expanding into social, new area of opportunity to identify customer attribution

Partners

hybris

TERADATA

KENSHOO

eCircle

COGNOS

salmat

Customer Engagement Solutions (CES)

CES $ million	H1 FY13 $'m	H1 FY12 $'m	Change $'m pcp
Sales revenue	105.4	121.3	-15.9
Underlying[1] EBITA	5.8	5.7	0.1
Margin	5.5%	4.7%	0.8%
Contact centre utilisation	62%	62%	-

- Contact centres delivering on strategy to move to higher margin work, EBITA up +42%
- Revenue impacted by closing unprofitable contact centre contract ($6.3m) and Direct Sales revenue impacted by drop off in discretionary environment ($9.6m)

[1] Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

CES – Contact Centre Outlook

- Launched ‘Reach Unified Communications Solution’
  - multi-channel telephony solution to support customer service enquires simultaneously across voice, social, web & email channels
  - Currently implementing into all managed centres, plus offering as hosted subscription solution for customers in-sourced centres
- ‘Best Shore’ (Aust / NZ & Philippines) managed contact centre service gaining momentum
- Expanding strategy beyond ‘agent-only’ solutions, included professional services & hosted cloud-based telephony infrastructure
- Aust seat capacity @ 65% utilisation, opportunity to consolidate properties & implement new business
- Addition of multi-channel creating new opportunities
  - inflection point as many organisations need to invest in new technology, (<18% of contact centres are multi-channel enabled)
  - Recently launched Reach solutions, already secured 10 year government agency contract

Partners

CES – Direct Sales / Speech / Learning Outlook

- Direct Sales
  - activities dominated by discretionary products & services
  - expanding into new channels & products eg B2B
- Speech
  - Revenues under budget as number of projects closed in the period
  - strong pipeline, especially in voice biometrics, recently secured major bank and government agency to manage identity theft
  - integrating sales team with CES to broaden sales focus
  - Speech automation is a key element of “Reach” Solutions
- Learning & Development
  - opportunities in Banking & Finance, Mining & Education sectors

Strategic Roadmap

BPO divestment has provided unique opportunity to position the company for the future

1. Addressed structurally challenged legacy business
2. Repositioned balance sheet
3. Capital management underway - $0.21 fully franked special dividend announced; on market share buy back in place; interim dividend confirmed
4. Restructure company in line with customer & market opportunity – 2 divisions (CMS & CES)
5. Focus on data driven platform and solutions driving commerce and engagement for our customers
6. Board & management undertaking comprehensive review of opportunities – USA & UK meetings
7. Low risk investment strategy – use cash and retain low gearing; invest in minority interest with step up provisions; only targeting earnings accretive opportunities; includes partnerships and JV's

Outlook & Trading Update

- Major customers continue to be resilient, expect mid tier to improve in line with retail sector but potential for contraction in smaller clients
- Following BPO divestment, expect seasonality of the continuing business to be generally in line with the consumer market, being weighted 52% H1 vs 48% H2
- Due to complexity of separation and transition for FujiXerox, corporate costs $3-4m higher in FY13 than anticipated under continuing business model and flat on FY12. These additional costs will reduce during FY14
- Expect FY13 underlying EBITA range of $25-$28m
- Further efficiency opportunities in pipeline
- Market Update scheduled mid May 2013 – update on strategy, further capital management and investments

THANK YOU

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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APPENDIX

Chairman & Board Succession

- Chairman Rick Lee in final year of current term as Director and is not standing for re-election
- Peter Mattick appointed Deputy Chairman and Chairman Designate, effective immediately, with transition into Chairman role planned for mid 2013
- Rick Lee to assume position of "Lead Independent Director" (LID) from mid year
- Board succession being addressed, including successor LID, when strategy review complete

Divisional Summary

$ million	H1 FY13 $'m	H1 FY12 $'m	Change % pcp
Sales revenue			
Consumer Marketing Solutions	136.1	142.5	-4.5%
Customer Engagement Solutions	105.4	121.3	-13.1%
Sales revenue from continuing operations	**241.5**	**263.8**	**-8.5%**
Underlying[1] EBITA			
Consumer Marketing Solutions	17.5	18.7	-6.4%
Customer Engagement Solutions	5.8	5.7	1.8%
Corporate	-8.3	-7.9	-5.1%
Underlying[1] EBITA	**15.0**	**16.5**	**-9.1%**
Significant items from continuing operations	-13.3	-0.8	NMF
EBITA from continuing operations	**1.7**	**15.7**	**NMF**

[1] Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

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