

Salmat Annual General Meeting

Thursday 21 November 2013

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Introduction: Richard Lee *Lead Independent Director*



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Good morning, ladies and gentlemen. My name is Richard Lee. I am the Lead Independent Director and the immediate past Chairman of Salmat Limited.

I am very pleased to welcome you on behalf of the Directors and management. We greatly appreciate your interest and attendance.

I have been advised by the Company Secretary that a quorum is present and as such I declare Salmat's 2013 Annual General Meeting open. I would like to introduce to you my fellow Directors:

- Peter Mattick, Chairman and interim CEO and co-founder of Salmat;
- Philip Salter, co-founder of Salmat and Non-executive Director;
- Fiona Balfour, a Non-executive, Independent Director and Chairman of the Technology and Innovation Committee.
- Ian Elliot, a Non-executive, Independent Director and Chairman of the Remuneration and Compensation Committee.
- John Thorn, a Non-executive, Independent Director and Chairman of the Audit, Risk and Compliance Committee.

I would also like to introduce Stephen Bardwell, our Company Secretary, and Chad Barton, our Chief Financial Officer.

Also in attendance today is Rob Lewis, representing Ernst & Young, our auditor for the past financial year.

You will note that item four on today's agenda relates to the appointment of PricewaterhouseCoopers as Salmat's new auditors, so we also have Sue Horlin and David Wiadrowski here representing PWC.

I will shortly hand over to Salmat's Chairman, Mr Peter Mattick, who will also serve as Chair for this meeting, but before I do, I just wanted to briefly reflect on how Salmat has changed in recent times and evolved into the business it is today.

Salmat was established almost 35 years ago as a letterbox advertising distributor and remains a leading player in that field. However the business today is not only vastly different to what it was 35 years ago, or even 11 years ago when I became Chairman, but just five or six years ago, when we were making our first foray into online catalogues via Lasoo. At that time, we talked about customers doing a pre-shop search before stepping out the door. Now of course, via smartphones, tablets and wireless technology, consumers are connected all the time: they can scan barcodes right there in the store to look up product reviews and check if they are getting the best deal.

The pace of change in communication has accelerated rapidly in the past few years and the way consumers find, share and use information has undergone a seismic shift. We've found that many businesses underestimated the speed of change, and continue to face the challenge of achieving effective customer engagement across a large array of different communication channels, without incurring prohibitive costs.

Salmat has a history of leading the market in adopting the latest technology and keeping our clients at the forefront of customer marketing and engagement best practice. Our current strategy continues this leadership.

In July, management outlined Salmat's strategy for growth over the next few years, focussing on delivering scalable, platform-based solutions that help our clients to effectively engage and interact with existing and potential customers, no matter the method of communication.

The initial feedback we've had from clients has validated this approach. Australian businesses recognise that they can't afford to neglect customers in today's competitive and challenging market. Salmat is building what we believe is the most comprehensive yet affordable integrated multi-channel communication solution in the region. Peter Mattick will go into a bit more detail of how and why in a moment.

We are very excited about the potential of this strategy to deliver outstanding added value for our clients and sustainable returns for our shareholders. I look forward to following Salmat's progress over the next few years and watching this exciting company continue to grow and thrive.

I would like to take this opportunity to thank my fellow Board members; Salmat's management and staff; and you, our shareholders, for your support since Salmat became a listed company. I have greatly enjoyed my time as Chairman and my connection with the business and its stakeholders over the years.

Salmat is certainly in very capable hands with Peter Mattick now at the helm as Chairman. As a co-founder of Salmat, along with Philip Salter, Peter obviously has a very deep knowledge of the business. Undoubtedly the time Peter has spent as interim CEO over the past five months has also given him a valuable insight to the current day-to-day operations that will provide a unique perspective when he steps back as Non-executive Chairman.

I am now very pleased to invite Peter to chair the meeting and take you through a brief update of Salmat's current operations before we address the formal items on the agenda. Thank you.

Company review: Peter Mattick *Chairman and interim CEO*



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Thank you, Rick and good morning, ladies and gentlemen.

It's a pleasure to welcome you here today and to host my first meeting as Chairman.

Today I'll briefly take you through some of the highlights of the past year, provide an update on our progress against the current growth strategy and take a look at how things are tracking in the current financial year.

Firstly, as Rick has mentioned, the conclusion of today's meeting marks Rick's retirement from the Salmat Board, after almost 11 years as Chairman.

I'd like to take this opportunity to thank Rick, on behalf of the Board and management of Salmat, for his valued contribution and leadership during that time. We've seen some significant developments since listing in December 2002, including numerous acquisitions, the development of new products and services, plus of course the recent major divestment of BPO: Rick's dedication and guidance over the years has helped to shape Salmat into the business it is today. From all of us, thank you, Rick and all the best for the future.

FY13 - groundwork set for growth

- Good progress establishing FY13-FY15 growth strategy.
- Strategic divestment of BPO for \$375 million.
- BPO separation and cost saving program on target.
- Strong net cash position of \$90 million at 30 June 2013.
- Underlying NPAT growth during investment phase.
- Special dividend; 14.3% return from total dividends for FY13.

The past year has been transformational in many ways for Salmat.

It was a year during which the Board and management took a good look at how both Salmat and the wider market has been evolving over the past few years; took stock of where we are; and most importantly, assessed where we need to be in order to stay at the forefront of the communication industry.

As such, we undertook a detailed process of client consultation and international study tours in order to develop our three-year growth strategy through to the end of FY15.

This strategy was communicated to the market at an investor briefing in July, and while I will summarise the key points here today, I encourage you to go to the investor section of the Salmat website and view the video presentation of this briefing for a more detailed understanding of how we are evolving the business for the future.

I'm pleased to say that we've made good early progress on bedding down the various elements, building our solution platforms and filling any capability gaps. There is still work to be done in the current financial year, which we have always said is a year of investment, however we are confident that our strategy will lead to better returns for our clients, suppliers, staff and shareholders.

The most significant development in FY13 was of course the successful strategic divestment of the BPO division, which has reduced the size of the overall business and enabled us to sharpen our focus on the two remaining divisions. We are in the final stages of separating our IT systems from Fuji Xerox and we are taking the opportunity in transferring to our new outsourced data centre to consolidate much of our older systems and software to eliminate the superfluous programs sitting on our servers. We are also standardising processes and improving cost recovery capabilities. While this extra activity will cost more than we initially planned, it will lead to a much more efficient, effective and lower-cost solution moving forward.

Apart from streamlining our business structure, the BPO sale of course also boosted our cash reserves, leaving us in a net cash position of \$90 million by 30 June 2013.

The positive cash position and reduced interest bill during FY13 helped Salmat close the year with underlying net profit after tax of \$16.7 million, up 31.5% on the previous year.

We were very pleased to be able to reward our shareholders with dividends of 32.5 cents per share, fully franked, for the past financial year, including a special dividend of 21 cents per share. This is the largest full year dividend paid since we floated, representing a 14.3% return for the year. With our reliable history of dividends, this also means that investors who have held shares since we listed at \$1.90 in December 2002 have now received a total of \$2.28 per share in fully franked dividends. A great return on investment.

Financial summary

\$ million	2013	2012	% change (pcp)
Revenue ¹	467.6	507.9	-7.9%
Underlying EBITA ¹	25.8	31.3	-17.6%
Underlying NPAT ²	16.7	12.7	31.5%
Statutory NPAT	40.1	30.3	32.3%
Statutory earnings per share (cents)	25.4	19.2	32.3%
Full year dividend (cents per share)	11.5	19.0	-39.5%
Special dividend (cents per share)	21.0	-	-

¹ Continuing operations

² Adjusted for significant items

- Transitional year, challenging market.
- Underlying EBITA within guidance.
- \$4.5 million strategic build operating expenses at EBITA level.
- \$10.9 million net significant item expenses after tax.
- Underlying and statutory NPAT and EPS up >30% on pcp.
- 32.5 cents per share fully franked in dividends for the year; final dividend of 7.5cps paid 19 September 2013.
- Quality balance sheet: strong EBITDA conversion to cash flow at 118%.

Turning to Salmat's financial results for FY13, in summary it was a reasonable result in a busy year that demanded a lot of time and attention from management. In the context of challenging market conditions, we also had our major growth strategy in development and the BPO divestment, which is the largest project Salmat has ever undertaken. This set the platform for Salmat to start its journey enhancing and rebuilding capabilities in the new communication environment.

We believe that the growth strategy currently being implemented will drive improved financial performance in the coming years.

Revenue of \$467.6 million was down 7.9% on the previous year and was impacted by the difficult trading environment; regulator pressure reducing activity in Direct Sales; the cycling out of some older style, labour-intensive contact centre business; and the decision to close some non-strategic digital services.

Underlying EBITA was down 17.6% to \$25.8 million for the year. The largest impact on EBITA was investment in the growth strategy, which amounted to \$4.5 million at the profit and loss line. The reduced revenue also had a flow-on effect.

As mentioned, underlying NPAT was boosted by the strong positive cash position and negligible interest bill. Significant item costs related to restructuring and separation associated with the BPO sale and an intangibles impairment charge for a number of non-strategic businesses that were discontinued during the year. Significant items from continuing operations amounted to \$12.5 million pre-tax and \$10.9 million after tax.

Statutory NPAT – which includes both the continuing business and the discontinued BPO operations – was up by 32.3% to \$40.1 million. Both the underlying and statutory earnings per share were up by 30% or more, at 10.5 cents and 25.4 cents respectively.

The final dividend was paid on 19 September 2013 and the total payment amounted to \$12 million.

The sale of the BPO business enabled us to greatly improve the quality of our balance sheet, with the repayment of some of our debt facilities and a net cash position. We also maintained a strong cash conversion, with EBITDA conversion to cash flow up from 110% to 118%. These strengths are important enablers of our growth strategy.

Board and management changes

- Richard Lee stepped down as Chairman (Peter Mattick appointed to role) on 1 July 2013. Richard retires from the Board at this meeting.
- Looking to appoint Mark Webster as new Independent Director.
- Grant Harrod completed term as CEO on 1 July 2013. Peter Mattick acting as interim CEO while replacement sought.
- CEO recruitment progressing well: anticipate finalising shortlist process and announcing appointment in the new year.

We had a few changes at a board and senior management level during the year.

With the retirement today of Rick Lee from the Salmat Board, he elected to step down as Chairman at the end of the past financial year to better facilitate a smooth handover of the role. Accordingly, I stepped up as Chairman at that time and Rick became Lead Independent Director.

With Rick's retirement, we now have a Board of five, including three independent Directors, however in the interests of best practice corporate governance as well as the interests of the business as we move into our new phase of growth, we have been seeking to appoint an additional independent Director.

I'm pleased to introduce today Mr Mark Webster. Pending wrapping up some housekeeping matters, we are planning to appoint Mark to the Salmat Board in the near future.

Mark is presently Managing Director of the thoroughbred sales group, William Inglis and Son Limited. Mark also has a strong media and digital background, having previously worked for News Limited for eight years, including managing the online classified business in its early days and heading up the online News Interactive division, taking news.com.au to the number one position.

Mark's had extensive, hands-on experience in extending traditional businesses into the online environment, both in the media industry and in his current role, where he's introduced technology such as internet bidding, e-commerce, Inglis TV and an internet and mobile phone based 'make an offer' service. Many of these are world firsts.

Mark has also served as director on a number of boards over the past ten years, including realestate.com.au, homesite.com.au and Nationwide News Limited.

We are very pleased to have Mark joining the Salmat Board and expect that his broad digital experience will bring some valuable insights to Salmat's current growth strategy.

We are grateful that Mark was able to attend today, so that we could introduce him to our shareholders and keep you informed of our intentions. Thank you, Mark.

Another key change that occurred recently was the completion of Grant Harrod's term as CEO. I have been standing in as CEO while we recruit a suitable replacement for the role and while not entirely planned, it has been a valuable experience to work directly day-to-day with the management team again and get that additional exposure to the business.

That said, I am looking forward to appointing a new CEO to help implement the current growth strategy and drive Salmat through a new phase of development. We are getting close to the end of the process and I anticipate that we'll be in a position to make that announcement early in the new year.

Growth strategy detailed in July 2013

- Based on international research and client consultation.
- Preparing Salmat for next phase of growth.
- Building scalable technology-based platforms that deliver integrated communication solutions on variable cost basis.
- Strategy delivers unique competitive advantage for Salmat.
- Time and patience required:



- Committed to getting it right for long-term success.

As I mentioned earlier, we launched our growth strategy in July this year and covered the various elements in some detail as part of that presentation, so I'll just outline the main components here today.

Rick mentioned the rapid pace of change in communication and the enormous shift in the way we all find and receive information, interact as consumers and communicate with the world. We foresaw the potential impact on Australian retailers back in 2007, when we launched Lasoo, our online catalogue solution. Even since then, the accelerating turnover of technology and rapid adoption of new channels has taken many businesses by surprise.

Most are still not taking full advantage of the range of communication options on offer and remain confused by the array of choice, not to mention deterred by the perceived costs involved. But the reality is that Salmat's clients can't afford *not* to implement a comprehensive communication solution. Our clients are feeling the pressure of competition both locally and overseas, which has been enabled by emerging technologies.

So we've taken proactive steps to ensure Salmat is optimally positioned to take advantage of the communication shift and the opportunities for growth that this presents.

Importantly, this is a client-led strategy. We took the time to consult with more than 35 CEOs, CFOs, CIOs and other senior staff within our client base on the challenges they face and what they need to overcome those challenges. We also conducted international study tours researching current consumer trends and the available communication technologies.

With a market-leading position across the offline communication channels, it was always the logical next step for Salmat to extend into the digital space. What is important to note, however, is that new media and new technology is by no means replacing the pre-existing channels.

The key to success for our clients is effectively integrating the online and offline worlds to allow a seamless experience for their customers, no matter which channel or which combination of channels they use. They also require the ability to identify customers and link all of their various interactions, whether they are queries, purchases, product reviews or complaints, in order to provide the best possible service.

For a business to build this sort of sophisticated data-driven system in-house, they'd be looking at anywhere up to \$20-30 million, which is simply not affordable for all but the largest Australian businesses. And for Salmat to build this sort of solution on a case-by-case basis would not be affordable for us, with the time and cost involved in bespoke solutions.

So what we've done is partnered with some of the world's leading technology companies to create a market-leading solution and negotiated a multi-tenanted, variable cost licence model that makes it truly scalable and affordable for both us and our clients.

This model, plus the combination of best-of-breed technology with Salmat's own capabilities, creates a unique competitive advantage for Salmat.

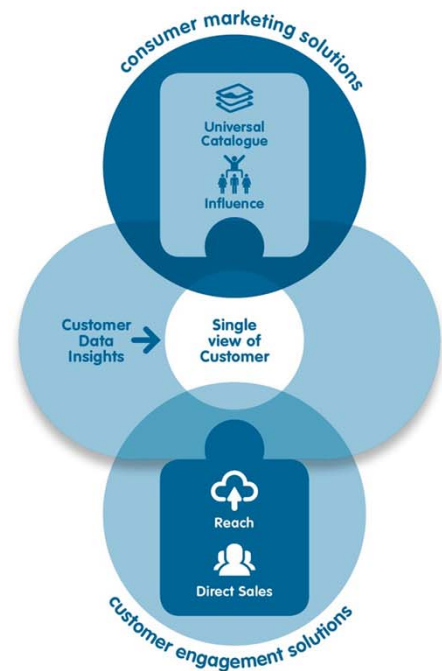
This is a major undertaking. I'll reiterate what I've said both at the strategy launch and at the full year results: this strategy requires an investment of time and money to get it right, but the rewards will be worth it.

The past financial year marked the initial phase of the strategy, divesting the legacy BPO business and reorganising the remaining business. The current year is the major building and bedding down phase of the process and the next financial year will be when we start to see the runs on the board.

It is important that we get this right and that we do it now. We are confident that we are on the right track and we are committed to building strong foundations now for sustainable growth in the future.

Strategic solution

- *Consumer Marketing Solutions*: multi-channel marketing and campaign management.
- *Customer Engagement Solutions*: cloud based multi-channel customer contact centre.
- Integrated offering and consumer data insights provide seamless cross-channel experience and single view of customer.



So what does Salmat's integrated solution look like?

Our two key divisions deliver different elements of the overall communication model.

Consumer Marketing Solutions delivers multi-channel marketing and campaign management through the two key platforms of Universal Catalogue and Influence.

What Universal Catalogue does is seamlessly integrate physical and digital catalogues via the letterbox, Lasoo, clients' own websites and apps, plus social media. Service features such as 'off the page' smartphone scanning and purchasing and geographically-triggered special offers are part of our aggressive innovation roadmap in this area.

Influence is a powerful multi-channel campaign management solution that helps clients to deliver the right offer to the right customer through the right channel. It combines workflow and asset management with sophisticated data management to make marketing more efficient and effective.

Underpinning these platforms is our comprehensive suite of digital and data services, including e-commerce, creative design, search engine optimisation and search engine marketing, data analytics, SMS and email marketing, social media optimisation and loyalty management.

Customer Engagement Solutions brings together the Reach platform alongside the Direct Sales channel.

Direct Sales is Salmat's face-to-face channel, including door-to-door, in-store and kiosk-based communication.

Reach is an innovative cloud-based contact centre that enables simultaneous management of multiple communication channels, incorporating real-time customer data and workflow. Inbound and outbound voice calls, speech recognition, email, social and web chat and SMS are all incorporated.

Linking Reach with the Consumer Marketing Solutions suite, we recently partnered with the leading enterprise feedback management software provider to launch 'Listen', which provides 'voice of customer' services to clients. A pilot of this service is underway and we will be rolling out the service to other clients from there.

Supported by Salmat's deep consumer insights and our clients' own data, the CMS and CES divisions integrate to deliver a single view of individual consumers' activities and interactions across the web, phone, in-store and on social media. It allows our clients to recognise and treat their customers as individuals, in a truly personalised manner. It's a better experience for the consumer and a more effective way of doing business for our clients.

What is unique about the way we are building out these services is that we can offer a 'one stop shop' that links marketing activities with customer contact management, loyalty programs and database management. And we have service options that are suitable for the largest Australian organisations right through to small business. Moving to such a comprehensive platform-based model is allowing us to target a wider market and start selling to new industry sectors as well as intermediaries such as media agencies that we've not traditionally dealt with before.

Consumer Marketing Solutions



- Universal Catalogue and Influence solutions launched to market late in FY13. Further enhancement ongoing:
 - New job management system being implemented.
 - New email platform: increased flexibility and efficiency.
 - Netstarter acquisition boosting e-commerce offering.
- Universal Catalogue volumes tracking as expected.
- Significant interest in Influence. Two client pilots pending.
- Focus on rolling out growth strategy and improved efficiency.



Within the Consumer Marketing Solutions division, we've been busy building out our Universal Catalogue and Influence solutions, which were launched to the market late in the last financial year.

Within Universal Catalogue, we are enhancing our research and data resources in order to better support our sales team and enable clients to better track the effectiveness of their campaigns. We've also been proactively targeting media agencies, who do not traditionally include catalogue in their campaign mix and who are extremely interested in the results it achieves.

The Influence solution is continuing development as we progress discussions with clients and a number of enhancements are in progress. We have migrated our email services to new platform, which is much more flexible and cost-effective and now offers a self-service option. We are also implementing a new job management system that will improve efficiencies across the division by re-engineering and re-architecting many of our processes.

In October, we acquired Netstarter, which is a leading mid-tier e-commerce services provider. This acquisition perfectly complements our existing e-commerce services and enables us to widen our reach in this area, as well as strengthening opportunities across the entire Salmat family of solutions and services. Many Australian businesses still have no online sales channel and we believe Salmat can be the best strategic partner for these businesses to compete both domestically and globally.

Looking at the year to date, sales in the catalogue area have been running slightly behind the previous year, but we've seen a distinct up-kick since the Federal election and our volume and price metrics are now tracking well and should end up ahead of last year. We are focussing on improving returns via operational efficiencies – including automation – and ancillary services.

The Influence platform is now live and implemented for Lasoo as an internal client and is running very well. We are also excited to have two major clients who have agreed to go ahead with pilot programs using this solution.

In other areas, we've also had a lot of activity in the voting services area, with a number of reality TV shows engaging Salmat services for consumer voting via SMS, Facebook, web and smartphone apps.

Our Local Direct Network or LDN channel, which caters to small to medium enterprise clients is also performing well and continuing to grow steadily, albeit from a relatively small base.

Our focus in CMS for the near future is to round out our Universal Catalogue and Influence solutions to maximise capability and efficiency while we target new sales from existing and new clients.

Customer Engagement Solutions



- Reach implementation progressing well: key clients migrated.
- Duplicate costs will be reduced after quarter four FY14.
- New large government client now live – further opportunities.
- Growing operations in NZ and Philippines.
- Building Direct Sales new client base and reducing costs.
- Significant pipeline of upselling and new win opportunities.

Within Customer Engagement Solutions, the rollout of the Reach platform is progressing very well and we are on target to have all client applications migrated by 1 April and certainly no later than 30 June. While we are currently carrying substantial additional costs associated with supporting two platforms, we will start to see margin improvement once the migration is complete and the legacy platform is decommissioned.

As we bring clients to the new system, this is presenting an opportunity to upsell existing clients on some of the new features of the enhanced solution. We've had significant interest in these services, though the fast-approaching Christmas period will likely delay decision-making in some instances.

Locally, we recently launched a significant new help desk solution for a government department, using the full suite of Reach services including a sophisticated knowledge management system. This sort of application is a perfect fit for the Reach system and something we are actively targeting to extend to other potential clients.

We are also experiencing continued demand from commercial clients for offshore solutions in our Philippines and New Zealand centres. We anticipate that our overseas operations will grow from around 20% to 30% of contact centre revenue this year.

In our Direct Sales channel, we have been actively pursuing opportunities to fill the gap left by energy retailers departing the channel as well as reducing costs where possible. Pleasingly, we have already replaced around half of the lost revenue in just four months, partly through the launch of some innovative new services that incorporate technology-based sales research. We've also been targeting new client sectors and ramped up our kiosk and in-store promotions.

Particularly in the contact centre business, we have a strong pipeline of opportunities for the year ahead and we hope to convert a good percentage of these as our new platform build is completed.

Group operations

- Target of \$10m annualised savings post BPO divestment. Saved \$2.7m in FY13 with \$5m run rate.
- On track for remaining \$5 million out in FY15 after complete separation achieved. Substantial duplication costs until then.
- BPO separation: final IT separation program commenced.
- IT strategy:
 - Partnered with Fujitsu managed services for data centres.
 - Platform build completed; migration over next six months.
 - Additional IT investment in FY14 building capability across the group, taking out old platforms, standardising processes and improving cost recovery capability.

At last year's AGM, we stated that we were targeting annualised savings of \$10 million following the separation of the divested BPO business, with around half of this coming from corporate savings.

Having saved \$2.7 million in FY13 on a \$5 million run rate, I am pleased to confirm that we remain on track to reach this goal for FY15, following the final separation.

The IT system migration is the final and most complex stage of the separation process, as the BPO division previously housed the majority of Salmat's IT infrastructure. As we've progressed with this process, we've taken a fresh look at the way we house and manage our IT systems. Accordingly, we've elected to partner with a managed services provider – Fujitsu - rather than rebuild an in-house data centre.

The new platform build has now been completed. Over the next six months, we will be migrating our applications from legacy BPO servers as well as other remote sites to the new infrastructure located in Fujitsu's Melbourne and Sydney data centres.

Given the major IT migration project taking place, we also decided to conduct a thorough stocktake of our group-wide IT systems, software and practices.

As a result of this review, we've identified several opportunities for improvement that will deliver benefits for both Salmat and its clients. We've taken the decision to make an additional investment of approximately \$6 million in building and enhancing our IT capabilities across the group, as well as clearing surplus and outdated systems from our servers. We've elected to take a conservative position and expense this cost, as we reset our IT environment at this important juncture in Salmat's history.

This investment will standardise processes; reduce the risk of service outages; improve IT procurement and software asset management; enable more flexible and reliable client service levels; and improve our ability to measure and recover costs.

This decision has not been taken lightly, especially given the strategy investment costs we are already incurring this year. IT is at the heart of our business, so we need to ensure that we have a robust and future-proof infrastructure supporting our new platforms and the success of our growth strategy.

Dividends/capital management

- Announced 15cps dividend for FY14 during investment phase: 7.5 cents interim and 7.5 cents final dividend, fully franked.
- Dividends will account for approximately \$24 million.
- Remainder of cash retained for strategic growth opportunities: 'filling gaps' via investment and/or acquisition.
- No additional capital management initiatives at present.

Following the BPO sale, Salmat's cash positive position led us to consider several capital management options. We elected to return around \$40 million to shareholders via special dividend and retain the remainder to provide some flexibility in developing our growth strategy where required.

While FY14 is very much a year of investment rather than stellar returns, we do intend to continue our strong dividend history with a 15 cents per share total dividend payment for the year. This amounts to another \$24 million returned to shareholders.

We are in a strong position with the remaining cash and our \$99 million debt facility to take advantage of strategic acquisition opportunities and also make further investment where deemed necessary to fill any service or capability gaps. Any such activity is complementary to our existing service platforms and growth goals.

Given our dividend intentions and growth objectives, we have no further plans for additional capital management initiatives at this stage.

Acquisitions

- Recently acquired NetStarter: e-commerce business.
- 100% equity with staged earn-out FY14-16 (\$5.5m upfront).
- EBITDA positive from FY14 and >6% EPS accretive.
- A number of other small scale acquisitions under consideration in contact centre and digital space.
- Re-engineering the business: rounding out existing capabilities and adding complementary services.
- Preferring staged acquisition (equity stake + buy out option).
- Targeting IP, clients, earnings-accretive businesses.

In the acquisition space, we have a number of small projects on the boil. As indicated earlier, we are taking the opportunity to fill some capability gaps in our offering.

One of these opportunities is NetStarter - an e-commerce business and the leading Magento developer in the region. The deal was worth \$5.5 million upfront, with a staged earn-out agreement through to FY16.

The business is EBITDA positive from the current year, with EBITDA of \$1.8 million forecast for FY14. The deal is EPS accretive by more than 6%, both inclusive and exclusive of transaction costs.

What this acquisition brings to Salmat is technology and skills perfectly suited to second tier or mid-sized businesses, complementing our existing Hybris solution, which is better suited to larger clients. The Netstarter service can also be readily scaled down for small-to-medium enterprises – a growing part of Salmat's client base. Plus of course it also brings a group of existing clients, many of which are new to Salmat and present strong opportunities for cross-selling other services. We intend to join our existing e-commerce team with the Netstarter team and the business will continue to operate under the Netstarter brand.

It's a very complementary fit to both our existing capabilities and growth strategy.

We are also currently considering a number of other strategic acquisitions in other parts of the business. Again, in line with our current acquisition objectives these are all complementary in nature; are well-established businesses with recurring revenue and profit; and have strong IP, capabilities and client bases. As a general rule, we are also leaning heavily towards staged acquisitions rather than straight-out takeovers.

While our current discussions are all at a confidential stage, we will announce material deals as they are confirmed.

Trading update and outlook

- YTD performance as expected (election delayed some jobs).
- Overall pipeline trending upwards longer term.
- Confident in our growth strategy and investing accordingly.
- FY14 focus remains on re-engineering and re-architecting the business: \$12m additional capex and \$12m opex.
- Additional IT investment of approximately \$6m in FY14.
- Currently anticipate EBITA of \$16-20 million for full year.

The current year has so far progressed in line with expectations. Uncertainty around the Federal election did delay decision-making in some instances, so we've had a flow-on effect with some implementations being delayed.

By and large though, volumes across most parts of the business are as anticipated, business confidence is reasonable and it's looking like a better Christmas trading period than last year.

The new business pipeline for the next 12 months is gaining strength and validating our decision to invest in the service platform model we have chosen. Client interest in offerings such as Reach and Influence is strong and we'd be happy to see several new clients taking up these solutions by the end of the year as a measure of our success.

We are confident that we are at the leading edge in our market and on the right track to consolidate Salmat's leadership. We are making the right investments and building the right infrastructure to set the business up for scalable, sustainable growth in the future.

As announced at the full year results, we are looking at \$12 million in capital expenditure and \$12 million in operating expenditure additional to our usual levels in support of re-engineering the business and architecting strong service platforms. We have also taken the decision to make an additional investment of approximately \$6 million this year in our IT systems, which underpin our entire service offering.

Being right at the midpoint of the investment phase of our strategy, this year is about building for the future and taking some short-term pain for long-term gain. The current financial year is a period when we are spending money to strengthen the business but not yet seeing a return.

In addition to the major platform-building, we are undertaking product and service review and rationalisation, looking at best-shoring some of our back office operations, building out our sales team and investing in sales training, pursuing strategic partner platform engagements and upgrading our IT systems.

The way we look at it, we are re-engineering and re-architecting our service offering to clients in order to help them grow their sales and profits. Time and patience are required in order to see results.

Accordingly, taking into account the additional IT spend, we are looking at EBITA of between \$16-20 million for the full year.

We will now turn to the ordinary business of today's meeting.

Ordinary business of meeting:
Peter Mattick – Chairman



Item one: Financial Statements

To consider and receive the Financial Reports, the Directors' Report and the Auditors' Report of Salmat Limited for the year ended 30 June 2013.

Item two: Remuneration Report

Non-binding advisory resolution:

That the Remuneration Report of the Company for the year ended 30 June 2013 be adopted.

Item two: Remuneration Report

- Proxies in favour: 66,043,002
- Proxies open: 607,991
- Proxies against: 488,979
- Proxies abstaining: 781,658

Following any questions or discussion, at the end of the meeting a poll will be held to ensure that the voting cast on this resolution is clear to all shareholders.

Item three: Re-election of director, Fiona Balfour

Resolution:

That Fiona Balfour, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a Director of the Company.

Item three: Re-election of director, Fiona Balfour

- Proxies in favour: 103,633,484
- Proxies open: 5,894,524
- Proxies against: 79,884
- Proxies abstaining: 761,429

Following any questions or discussion, at the end of the meeting a poll will be held to ensure that the voting cast on this resolution is clear to all shareholders.

Item four: Auditor appointment

Resolution:

That, having received ASIC's consent, the resignation of Ernst & Young as auditors of the company be accepted and that PricewaterhouseCoopers, having provided their written consent, be appointed as auditors.

Item four: Auditor appointment

- Proxies in favour: 103,657,426
- Proxies open: 5,918,414
- Proxies against: 21,969
- Proxies abstaining: 771,512

Following any questions or discussion, a poll will be held for resolutions two, three and four to ensure that the voting cast on these resolutions is clear to all shareholders.

Poll for resolutions two, three and four

Please indicate your vote on your yellow voting card. Link Market Services representatives will collect your completed cards.



Thank you