

SALMAT LIMITED

RESULTS PRESENTATION H1 FY2007

(23 FEBRUARY 2007)

[PHIL SALTER]

SLIDE 1 - TITLE SLIDE

GOOD MORNING AND WELCOME TO THIS PRESENTATION OF SALMAT'S RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2006.

THANK YOU FOR JOINING US HERE TODAY AND WELCOME TO THOSE WHO HAVE JOINED US ON THE CONFERENCE CALL.

I'M PHIL SALTER AND WITH ME ARE PETER MATTICK AND ASHLEY FENTON.

DURING THE PRESENTATION WE WILL REFER TO THE SLIDES THAT WERE LODGED WITH THE ASX THIS MORNING. IF YOU DON'T HAVE THEM YET, THEY ARE AVAILABLE ON OUR WEBSITE WWW.SALMAT.COM.AU

I'LL START BY RUNNING THROUGH THE HIGHLIGHTS. ASHLEY WILL THEN DISCUSS OUR FINANCIAL PERFORMANCE IN MORE DETAIL, AND PETER WILL TALK ABOUT THE PROGRESS AND OPERATIONAL FOCUS OF OUR THREE DIVISIONS.

SLIDE 2 – FINANCIAL SUMMARY

THIS HAS BEEN A BUSY AND VERY SATISFYING HALF FOR SALMAT IN WHICH WE'VE ACHIEVED STRONG DOUBLE DIGIT RESULTS AT BOTH THE TOP LINE AND THE BOTTOM LINE. AT THE SAME TIME WE'VE MADE SOME POSITIVE MOVES ON THE STRATEGIC FRONT WITH THE SALE OF OUR SHARE IN THE CLIENTLOGIC PHILIPPINES JOINT VENTURE, REALISING A SUBSTANTIAL PROFIT. WE'VE REINVESTED INTO THE HIGH GROWTH AREAS OF INTERACTIVE DIGITAL AND SPEECH VERIFICATION SOLUTIONS WHICH WILL IMPROVE OUR TECHNICAL CAPABILITIES AND PRODUCT COMPETITIVENESS.

THE HALF YEAR RESULTS SHOW THAT OUR CONTACT CENTRE VISION IS CLEARLY PAYING OFF WITH STRONG GROWTH COMING THROUGH FROM SALESFORCE.

IT HAS ALSO BEEN A PERIOD OF CONSOLIDATION ACROSS OUR OPERATIONS WITH THE FOCUS ON PRODUCTIVITY AND INNOVATION.

WE'VE CONCENTRATED ON CONTINUING TO PROVIDE INNOVATIVE SOLUTIONS IN TARGETED MEDIA WHICH HAS ALLOWED US TO MAINTAIN OUR VOLUMES IN AN INCREASINGLY COMPETITIVE MARKET.

AND THE IMPROVED PERFORMANCE IN BUSINESS PROCESS OUTSOURCING IS ENCOURAGING, WITH THE BENEFITS OF OUR FOCUS ON PRODUCTIVITY BEGINNING TO COME THROUGH.

WE ARE VERY PLEASED WITH OUR REVENUE GROWTH OF 15%, AND THE FLOW THROUGH OF THIS TO THE BOTTOM LINE WITH NET PROFIT BEFORE SIGNIFICANT ITEMS, UP NEARLY 19% ON THIS TIME LAST YEAR.

ON THE BACK OF THESE STRONG RESULTS, THE BOARD OF DIRECTORS HAS DECLARED A FULLY FRANKED INTERIM DIVIDEND OF 8 CENTS, UP 14% ON THE PREVIOUS YEAR.

IN ADDITION, FOLLOWING THE SIGNIFICANT PROFIT ON THE SALE OF THE CLIENTLOGIC PHILIPPINES JOINT VENTURE, THE BOARD OF DIRECTORS HAVE DECLARED A SPECIAL DIVIDEND OF 10 CENTS PER SHARE, FULLY FRANKED, PAYABLE ON 28 MARCH 2007.

SLIDE 3 – HIGHLIGHTS

SALESFORCE HAS CONTINUED THE STRONG MOMENTUM FROM THE LAST HALF WITH VERY STRONG RESULTS THIS HALF. REVENUES ARE UP 47.2% AND EBITA HAS MORE THAN DOUBLED. OUR SEAT NUMBERS ARE NOW 3,200 AND UTILISATION RATES ARE OVER 90%. OUR CALL CENTRE MARGINS INCREASED TO 6.5% DESPITE THE COSTS WE'VE INCURRED TO EXPAND THE OPERATION.

TARGETED MEDIA DELIVERED A SOLID RESULT, GIVEN THE LOSS OF THE COLES BRAND VOLUMES AND THE COMPETITIVE MARKET. REVENUES WERE DOWN ONLY 3.4% ON LAST YEAR, AND WE'RE PLEASED THAT WE'VE MANAGED TO SLIGHTLY INCREASE OUR VOLUMES FROM THIS TIME LAST YEAR.

BPO'S RESULT WAS ENCOURAGING WITH EBITA UP \$1 MILLION ON REVENUE GROWTH OF ALMOST 5%. IT'S EARLY DAYS AND WE ARE JUST STARTING TO SEE THE RETURNS FROM THE WORK WE HAVE DONE IN RECENT TIMES IN INVESTING IN NEW SITES, SYSTEMS AND EQUIPMENT.

IN CONCLUSION, WE HAVE HAD A SUCCESSFUL SIX MONTHS. WE ARE WELL PLACED WITH OUR GROWTH DIVISION, SALESFORCE, PERFORMING WELL, TARGETED MEDIA PERFORMING IN LINE WITH EXPECTATIONS GIVEN THE CURRENT COMPETITIVE MARKET AND BPO BEGINNING TO SHOW ENCOURAGING MARGIN AND EARNINGS RECOVERY.

I WILL NOW HAND OVER TO ASHLEY TO TALK ABOUT OUR FINANCIAL RESULTS IN MORE
DETAIL.

[ASHLEY FENTON]

SLIDE 4 – GROUP RESULT

THANKS, PHIL. GOOD MORNING EVERYONE.

THIS IS A STRONG RESULT DRIVEN BY ORGANIC GROWTH. THE STANDOUT HAS BEEN THE CONTRIBUTION TO REVENUE AND EBITA GROWTH FROM SALESFORCE. ANOTHER KEY ITEM HAS BEEN THE SUBSTANTIAL PROFIT ON THE SALE OF OUR INTEREST IN CLIENTLOGIC PHILIPPINES. AS THE IMPACT OF THIS ON THE NUMBERS IS SO LARGE, I'LL TALK YOU THROUGH THE HEADLINE NUMBERS EXCLUDING SIGNIFICANT ITEMS AND THEN COVER THEM SEPARATELY.

WE ARE PLEASED WITH SALES REVENUE FOR THE SIX MONTHS WHICH WAS \$302 MILLION, UP 15.3% ON THIS TIME LAST YEAR, DUE PRE DOMINANTLY TO ORGANIC GROWTH. THIS WAS DRIVEN BY THE PERFORMANCE OF SALESFORCE AND I'LL TALK YOU THROUGH THE DIVISIONAL MAKEUP SHORTLY.

EBITDA WAS \$35.3 MILLION, UP 16.9% ON LAST YEAR. EBITA WAS \$26.9 MILLION FOR THE HALF, UP A STRONG 18.0%, AGAIN DRIVEN BY SALESFORCE.

DEPRECIATION WAS UP 13% TO \$8.4 MILLION, WHICH REFLECTS OUR HIGHER CAPEX SPEND IN RECENT YEARS.

NET INTEREST EXPENSE OF \$2.8 MILLION WAS UP BY 40% ON LAST YEAR DUE TO DEBT FUNDING THE VECOMMERCE AND OTHER ACQUISITIONS WE MADE DURING THE HALF. CASH FROM THE CLIENTLOGIC SALE WAS RECEIVED POST PERIOD END AND WILL REDUCE DEBT IN THE SECOND HALF.

THE HIGHER TAX EXPENSE REFLECTS THE IMPROVED PROFIT PERFORMANCE, WITH THE UNDERLYING TAX RATE REMAINING AT 33%.

NET PROFIT BEFORE SIGNIFICANT ITEMS WAS \$15.8 MILLION, UP 18.7%, AFTER INCLUDING SIGNIFICANT ITEMS PROFIT AFTER TAX WAS \$35.1 MILLION, UP 168%.

THE INTERIM DIVIDEND OF 8 CENTS FULLY FRANKED, PAYABLE ON 28 MARCH, IS AN INCREASE OF 14.3%. TOGETHER WITH THE SPECIAL DIVIDEND OF 10 CENTS PER SHARE, FULLY FRANKED, THIS REPRESENTS A PAYOUT RATIO OF 60.2%.

SLIDE 5 - SIGNIFICANT ITEMS

THERE WERE THREE SIGNIFICANT ITEMS IN THE RESULT.

THE PROFIT ON THE SALE OF OUR SHARE OF THE CLIENTLOGIC PHILIPPINES JOINT VENTURE, WHICH CAME IN AT \$25.0 MILLION – NOT A BAD RETURN ON A \$1 MILLION EQUITY INVESTMENT.

HAVING EXITED OUR MAJOR INVESTMENT IN THE ASIAN REGION, CLIENTLOGIC PHILIPPINES, WE TOOK THE OPPORTUNITY TO REVIEW THE STRATEGIC VALUE OF THE REMAINING ASIAN BUSINESSES. THE RESULTING IMPAIRMENT CHARGE OF \$4.5 MILLION IS CONSIDERED PRUDENT.

THE FINAL ITEM RELATES TO \$1.2 MILLION OF RESTRUCTURING AND REDUNDANCY COSTS FROM OUR OPTIMISE PROGRAM – THIS INCLUDES THE SET UP AND ESTABLISHMENT OF THE PROGRAM WHICH PROVIDES A FULL REVIEW AND RESHAPING OF ALL OUR PROCESSES, SYSTEMS, PRODUCTS AND SERVICES TO PROVIDE US WITH A PLATFORM FOR CONTINUED SALES AND PROFIT GROWTH ACROSS THE COMPANY.

FURTHER COSTS ARE EXPECTED IN THE SECOND HALF HOWEVER AS THE PROGRAM BECOMES EMBEDDED IN OUR NORMAL PRACTICES THESE COSTS WILL CEASE TO BE IDENTIFIED AS SIGNIFICANT ITEMS.

SLIDE 6 - REVENUE GROWTH

SALES REVENUE GROWTH ACROSS THE GROUP WAS STRONG, UP \$40.1 MILLION OR 15%, TO \$302 MILLION.

SALESFORCE WAS THE MAIN CONTRIBUTOR AND YOU CAN SEE THAT CLEARLY ON THIS SLIDE. THEIR SALES WERE UP \$39.2 MILLION, OR 47%, TO \$122.3 MILLION. THIS WAS PRIMARILY DUE TO STRONG ORGANIC GROWTH IN OUR CALL CENTRES IN AUSTRALIA AND NEW ZEALAND, DRIVEN BY BOTH EXISTING AND NEW CUSTOMERS. THE RESULT WAS ALSO BOOSTED BY THE STRONG RESULTS FROM DIRECT SALES UP \$7.2 MILLION AND INCLUDED THE \$5 MILLION ONE-OFF BENEFIT OF THE 2006 CENSUS WORK AND A \$2.7 MILLION CONTRIBUTION FROM ACQUISITIONS.

BPO WAS THE SECOND LARGEST CONTRIBUTOR – UP \$4.2 MILLION, INCREASING ITS REVENUE BY 4.9% TO \$39.0 MILLION. THE MAIN CONTRIBUTORS TO THIS GROWTH WERE OUR DIGITAL PRINT-ON-DEMAND BUSINESS AND OUR HONG KONG BUSINESS.

TARGETED MEDIA'S REVENUE WAS DOWN BY 3.4%, OR \$3.2 MILLION, TO \$90.8 MILLION WITH THE COMPETITIVE ENVIRONMENT IMPACTING PRICING.

SLIDE 7 - EBITA

PLEASEINGLY OUR STRONG SALES PERFORMANCE TRANSLATED THROUGH TO EBITA WHICH WAS ALSO STRONG, UP 18% TO \$26.9 MILLION.

SALESFORCE WAS OBVIOUSLY THE LARGEST CONTRIBUTOR, WHICH YOU CAN SEE ON THE SLIDE. IT INCREASED ITS EBITA BY \$6.5 MILLION TO \$10.3 MILLION. THIS FIGURE INCLUDES OUR LAST EQUITY PROFIT CONTRIBUTION FROM CLIENTLOGIC PHILIPPINES OF \$1.3 MILLION UP TO THE DATE OF SALE. THE CALL CENTRES EBITA MARGIN WAS UP STRONGLY FROM 4.6% TO 6.5%, REFLECTING THE BENEFITS OF SCALE.

TARGETED MEDIA'S EBITA WAS DOWN BY \$4.3 MILLION. THE LOWER EBITA MARGIN OF 18.8% WAS IN LINE WITH OUR EXPECTATIONS AND REFLECTS THE CURRENT COMPETITIVE MARKET CONDITIONS.

BPO'S RESULT WAS ENCOURAGING WITH EBITA UP BY \$1 MILLION, OR 25%, TO \$5 MILLION. ITS EBITA MARGIN STRENGTHENED TO 5.7% FROM 4.7% FOR THE SAME PERIOD LAST YEAR. WE ARE PLEASED WITH THIS IMPROVEMENT THAT HAS COME FROM THE INVESTMENTS WE MADE LAST YEAR.

SLIDE 8 – CASH FLOW

OPERATING CASH FLOW OF \$10.0 MILLION WAS DOWN ON LAST YEAR, LARGELY DUE TO THE \$3.5 MILLION OF TIMING EFFECTS OF TAX PAYMENTS AS WELL AS HIGHER WORKING CAPITAL REQUIRED BY SALESFORCE'S GROWTH.

\$30.6 MILLION WAS SPENT DURING THE HALF ON ACQUISITIONS INCLUDING VECOMMERCE AND OTHER SMALLER ADDITIONS TO OUR GROUP.

NET CAPITAL EXPENDITURE WAS \$8.1 MILLION FOR THE HALF, WHICH REPRESENTS 2.7% OF SALES. WE EXPECT INCREASED CAPEX IN THE SECOND HALF, DRIVEN BY

SALESFORCE'S EXPANSION REQUIREMENTS, TO TAKE OUR FULL YEAR CAPEX WITHIN OUR LONG TERM TARGET RANGE OF 4% - 4.5% OF SALES (ALBEIT AT THE LOWER END OF THE RANGE).

SLIDE 9 – BALANCE SHEET

OUR BALANCE SHEET IS STRONG, WITH EQUITY BOOSTED BY THE \$25 MILLION REALISATION OF VALUE FROM THE CLIENTLOGIC PHILIPPINES SALE. THE ACQUISITIONS OF VECOMMERCE AND DIALECT HAVE INCREASED GOODWILL AND NET DEBT.

DEBT TO EQUITY STOOD AT 76.9% AT THE HALF HOWEVER AFTER ADJUSTING FOR THE \$28.3 MILLION CLIENTLOGIC SALE PROCEEDS RECEIVED ON 1 FEBRUARY THIS REDUCES TO 55.6%. AND INTEREST COVER AT THE EBITDA LEVEL REMAINS COMFORTABLE AT AROUND 13 TIMES.

I WILL NOW HAND OVER TO PETER MATTICK, WHO WILL REVIEW THE OPERATIONS OF EACH DIVISION.

[PETER MATTICK]

THANKS ASHLEY.

SLIDE 10 – TARGETED MEDIA

OUR TARGETED MEDIA DIVISION HAS PERFORMED AS EXPECTED FOR THE HALF. THIS LOW CAPITAL INTENSIVE BUSINESS CONTINUES TO HAVE STRONG CASH FLOW GENERATION AND AN EXCELLENT RETURN ON CAPITAL.

WE ARE FACING TOUGHER MARKET CONDITIONS IN THIS BUSINESS THAN WE HAVE SEEN FOR A NUMBER OF YEARS AND THIS HAS MEANT THAT WE HAVE HAD TO WORK HARDER. A SOFT ADVERTISING MARKET AND COMPETITIVE PRICING HAVE PUT PRESSURE ON OUR MARGINS AND OUR RESULTS REFLECT THIS.

HOWEVER WE ARE VERY PLEASED THAT DESPITE THESE CHALLENGING CONDITIONS, AND THE LOSS OF THE COLES BRANDS WORK, OUR SALES TEAM HAS MANAGED TO POST A SLIGHT INCREASE IN VOLUMES OVER LAST YEAR.

WE ARE CONTINUING OUR STRATEGY OF WORKING WITH ADVERTISING AGENCIES TO ATTRACT NON-TRADITIONAL CUSTOMERS TO THE MEDIUM AND THIS IS SHOWING REAL RESULTS WITH NON-TRADITIONAL CUSTOMERS NOW REPRESENTED IN OUR TOP CLIENT BASE.

INNOVATION HAS BEEN HIGH ON OUR AGENDA FOR THE HALF WITH IMPROVEMENTS IN OUR DELIVERY MODEL AND OUR TARGETING TOOLS AND THE INTRODUCTION OF NEW PROMOTIONAL CAPABILITIES THROUGH OUR ACQUISITION OF THE LEADING CUSTOMER INTERACTIVE AND COMMUNICATIONS SOLUTIONS PROVIDER, DIALECT INTERACTIVE. WE

HAVE ALREADY RUN A SUCCESSFUL PROMOTIONAL ADVERTISING CAMPAIGN FOR A MAJOR RETAILER USING DIALECT'S SMS AND IVR COMMUNICATION CAPABILITIES.

WE HAVE MADE FURTHER IMPROVEMENTS TO OUR MULTI-TIERED TOTAL ACCOUNTABILITY DELIVERY MODEL THAT SETS A NEW BENCHMARK FOR ACCURATE, ON TIME DELIVERY.

OVER THE LAST YEAR WE HAVE SPENT TIME TALKING TO OUR CUSTOMERS AND LISTENING TO THEIR SPECIFIC REQUIREMENTS. AS A RESULT, WE HAVE DEVELOPED SOME IMPROVEMENTS TO OUR MODEL SO THAT WE PROVIDE SEVEN LEVELS OF ACCOUNTABILITY TO COVER DELIVERY FROM THE PRINTER TO THE LETTERBOX.

OUR MODEL ADDRESSES ACCOUNTABILITY ISSUES IN THE BUSINESS IN 3 NEW WAYS:

- FIRST, WE HAVE IMPLEMENTED GPS TECHNOLOGY AT OUR AREA REPRESENTATIVE LEVEL, WITH THESE PEOPLE NOW CONFIRMING THEIR CHECKING OF DELIVERIES IN THEIR AREAS THROUGH A GPS DEVICE.
- WE HAVE ALSO IMPLEMENTED A NEW LEVEL OF REGIONAL AREA MANAGERS WHO ARE RESPONSIBLE FOR AREA QUALITY AND PERFORMANCE. THEY ALSO PROVIDE GREATER SUPPORT FOR OUR AREA REPRESENTATIVES AND WALKERS AND MORE VISIBILITY, COMMUNICATION AND ACCOUNTABILITY.
- LASTLY, WE ARE THE ONLY COMPANY TO HAVE MADE THE COMMITMENT TO ONGOING INDEPENDENT 3RD PARTY AUDITING. WE WERE VERY PLEASED THAT OUR LAST AUDIT BY MORGAN RESEARCH PROVED OUR ON-TIME DELIVERY RATE TO BE IN EXCESS OF 94%.

WE ARE ALSO WORKING ON A NEW INITIATIVE TO BE ROLLED OUT OVER THE NEXT SIX MONTHS CALLED OUR "DELIVERY TRACKING SYSTEM". THIS IS AN ONLINE, SECURE

CLIENT PORTAL, WHICH WILL ALLOW OUR CUSTOMERS TO TRACK THEIR DISTRIBUTION IN REAL TIME.

IMPROVED TARGETING TOOLS CONTINUE TO BE OF BENEFIT TO OUR CUSTOMERS. INNOVATION IN OUR MAPPING TOOLS CONTINUES TO BE A PRIORITY, ALONG WITH WORKING ON OTHER DIGITAL SOLUTIONS TO IMPROVE READERSHIP, LONGEVITY AND CONSUMPTION OF CATALOGUES.

WE EXPECT CONDITIONS TO REMAIN COMPETITIVE IN THE TRADITIONALLY SOFTER SECOND HALF, WITH VOLUMES AT LAST YEAR'S LEVELS.

SLIDE 11 - SALESFORCE

SALESFORCE CONTINUES TO BE OUR MAIN GROWTH DRIVER, WITH STRONG INCREASES IN CUSTOMERS, SEATS, REVENUES, PROFITS AND MARGINS FOR THE HALF. UTILISATION CONTINUES TO GROW TO LEVELS WHICH HAVE REQUIRED US TO ADD OVER 300 NEW SEATS IN GEELONG, 138 IN SYDNEY AND 20 IN AUCKLAND FOR THE HALF. DESPITE THIS EXPANSION WE ARE AT OVER 90% UTILISATION AND EXPECT TO ADD 400 TO 500 MORE SEATS PROGRESSIVELY IN THE SECOND HALF TO MEET DEMAND AND PROVIDE SOME FLEXIBILITY. OUR TOTAL SEAT CAPACITY NOW STANDS AT 3,200 SEATS.

AS WELL AS OUR INVESTMENTS IN NEW SEATS WE HAVE BEEN FURTHER STRENGTHENING OUR COMPETITIVE POSITION THROUGH INVESTMENTS IN TECHNICAL CAPABILITY. THE ACQUISITION OF VECOMMERCE GIVES US IMPORTANT PRODUCTS WHICH PROVIDE CUSTOMERS WITH IMPROVED SERVICE AT A LOWER COST USING TECHNOLOGY AUTOMATION.

INNOVATION HAS ALSO BEEN AT THE FOREFRONT DURING THIS BUSY PERIOD AND WE HAVE DEVELOPED A "WORK FROM HOME" MODEL WHICH WILL BE TRIALLED IN THE SECOND HALF. THIS MODEL ALLOWS US TO TAP INTO A WELL QUALIFIED PART TIME LABOUR FORCE WHO CAN WORK FROM THE CONVENIENCE OF THEIR OWN HOME.

SLIDE 12 – SALESFORCE PRODUCT OFFERINGS

OUR PRODUCT OFFERING NOW COVERS A FULL RANGE OF SERVICES WITH AN ABSOLUTE FOCUS ON IMPROVING CUSTOMER SERVICE AND PROVIDING EFFECTIVE SOLUTIONS.

CUSTOMERS HAVE THE OPPORTUNITY TO USE DIFFERENT LABOUR COST MODELS DEPENDING ON THEIR SPECIFIC REQUIREMENTS AND APPETITE FOR RISK AND COMPLEXITY. SO THEY CAN HAVE A METROPOLITAN CALL CENTRE; OR LOWER THE COST BY GOING REGIONAL, FOR EXAMPLE BUNDABERG, WAGGA WAGGA OR GEELONG; OR LOWER THE COST AGAIN BY USING AN AT HOME MODEL; OR USING A LABOUR ARBITRAGE AND GOING OFFSHORE. AT THE SAME TIME THEY CAN TAKE ADVANTAGE OF TECHNOLOGY AND USE AUTOMATION TO LOWER COST THROUGH SELF SERVICE APPLICATIONS.

WE EXPECT THE MOMENTUM OF THE FIRST HALF TO CONTINUE INTO THE SECOND HALF, ALTHOUGH WITHOUT THE BENEFIT OF THE ONE OFF ABS CENSUS WORK. MARGINS WILL HOWEVER BE TEMPERED BY THE COSTS OF INTRODUCING THE WORK FROM HOME MODEL AND BY COSTS ASSOCIATED WITH FURTHER EXPANDING CAPACITY.

SLIDE 13 – BUSINESS PROCESS OUTSOURCING

IN BUSINESS PROCESS OUTSOURCING, WE HAVE SEEN A SMALL BUT ENCOURAGING IMPROVEMENT THIS HALF. THE WORK WE HAVE DONE IN REFRESHING OUR TECHNOLOGY AND INFRASTRUCTURE HAS BEGUN TO SHOW BENEFITS AT THE EBITA LINE. PRICING IN THE AUSTRALIAN MARKET HAS STABILISED AND PRODUCTIVITY AND EFFICIENCY GAINS ARE KEY TO CONTINUED IMPROVEMENT IN PROFITABILITY.

WE ARE PARTICULARLY PLEASED TO SEE THE IMPROVEMENT IN OUR HONG KONG OPERATION WHICH DELIVERED AN EBITDA POSITIVE RESULT. THIS TURNAROUND HAS BEEN DRIVEN BY NEW CUSTOMERS COMING ON LINE, ALONG WITH THE EFFICIENCY GAINS BROUGHT ABOUT BY OUR RESTRUCTURING AND REINVESTMENT.

INNOVATION HAS ALSO BEEN KEY IN BPO WITH THE ENHANCEMENT OF OUR TECHNOLOGICAL CAPABILITIES IN THE WORKFLOW, SCANNING, IMAGING AND ARCHIVING AREAS. WE ALSO NOW BOAST A NATIONAL AUSTRALIAN PRINT-ON-DEMAND CAPABILITY FOLLOWING A RECENT SMALL ACQUISITION IN WA.

FURTHER IMPROVEMENTS IN PRODUCTIVITY AND RETURNS ARE EXPECTED IN THE SECOND HALF AS WE CONTINUE TO WORK ON THE OPERATIONAL SIDE OF OUR BUSINESS TO DRIVE COST REDUCTION AND MARGIN GROWTH.

SLIDE 14 - OUTLOOK

LOOKING AHEAD TO THE FULL YEAR WE SEE MARKET CONDITIONS CONTINUING AS THEY HAVE IN THE FIRST HALF.

SUBJECT TO OUR NORMAL CAVEATS, WE ARE EXPECTING TO REVERT BACK TO OUR USUAL SEASONALITY OF THE SECOND HALF BEING WEAKER THAN THE FIRST. SECOND

HALF REVENUE GROWTH IS EXPECTED TO BE IN THE RANGE OF 11% TO 14%. WE ANTICIPATE A CONTINUATION OF THE INDIVIDUAL DIVISIONAL TRENDS APPARENT IN THE FIRST HALF, ALTHOUGH SALESFORCE'S PERFORMANCE AND MARGINS WILL BE TEMPERED BY HIGHER COSTS ASSOCIATED WITH ITS NEXT PHASE OF EXPANSION.

OUR SECOND HALF PERFORMANCE WILL BE LOWER THAN THE COMPARABLE PERIOD IN FY06, REFLECTING THE ABSENCE OF EQUITY ACCOUNTED EARNINGS FROM CLIENTLOGIC, WHICH CONTRIBUTED \$1.7 MILLION IN THE SECOND HALF OF FY06, AND WILL INCLUDE FURTHER INVESTMENT AND RESTRUCTURING COSTS. RECENT ACQUISITIONS WILL ALSO BE MODESTLY DILUTIVE TO EARNINGS IN THE SECOND HALF.

AS A RESULT FULL YEAR PROFIT AFTER TAX, BUT BEFORE SIGNIFICANT ITEMS, IS EXPECTED TO BE AROUND LAST YEAR'S LEVELS.

IN CONCLUSION, THIS HAS BEEN A HALF OF CONSIDERABLE PROGRESS, BOTH STRATEGICALLY AND OPERATIONALLY, AND ONE IN WHICH WE'VE DELIVERED AN ENCOURAGING IMPROVEMENT IN REVENUE AND EARNINGS.

WHILST A RELATIVELY SUBDUED SECOND HALF IS IN PROSPECT, THE STEPS BEING TAKEN ACROSS THE COMPANY, THROUGH PROJECT OPTIMISE AND THE INVESTMENT IN NEW GROWTH AREAS AND ENHANCED CALL CENTRE CAPACITY, PLACE US IN A STRONG POSITION TO REALISE THE LONG TERM GROWTH POTENTIAL OF OUR BUSINESSES.

WE SHALL BE PLEASED TO ANSWER ANY QUESTIONS. PLEASE SAY WHO YOU ARE AND THE FIRM YOU REPRESENT.

Disclaimer

Company announcements 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.