SALMAT LIMITED

RESULTS PRESENTATION H1 FY2008

(28 FEBRUARY 2008)

[PHIL SALTER]

SLIDE 1 - TITLE SLIDE

GOOD MORNING AND WELCOME TO THIS PRESENTATION OF SALMAT'S RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2007.

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

THE FIRST THING YOU'LL NOTICE ABOUT TODAY'S PRESENTATION IS THAT IT INCORPORATES OUR NEW BRANDING. WITH THE RECENT ACQUISITION OF HPA, WE HAVE TAKEN THE OPPORTUNITY TO REVIEW OUR MARKETING STRATEGY ACROSS ALL THE DIVISIONS. THIS NEW BRANDING BRINGS TOGETHER ALL ASPECTS OF OUR BUSINESS AND MORE ACCURATELY REFLECTS OUR COMMITMENT TO BEING THE FORCE IN ONE TO ONE COMMUNICATION IN AUSTRALIA.

PART OF THIS EXERCISE IS THE RENAMING OF OUR DIVISIONS, SO FOR REFERENCE PLEASE NOTE THAT TARGETED MEDIA IS NOW LINKED WITH DIALECT TO REPORT AS

MEDIAFORCE. THE SALMAT BPO BUSINESS AND THE HPA BUSINESS WILL REPORT AS BUSINESSFORCE. SALESFORCE RETAINS ITS NAME AND NOW INCORPORATES VECOMMERCE.

TODAY 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 – HIGHLIGHTS

THIS HAS BEEN A LANDMARK HALF FOR US AND ONE OF THE MOST IMPORTANT IN OUR 29 YEAR HISTORY, WITH SIGNIFICANT STRATEGIC STEPS BEING TAKEN.

OUR MAIN FOCUS WAS ON THE SUCCESSFUL ACQUISITION OF HPA LIMITED. THIS ACQUISITION BRINGS WITH IT A SCALE OF OPERATIONS THAT HAVE TAKEN OUR COMPANY TO A NEW LEVEL AND POSITIONS US FOR LONG TERM PROFITABLE GROWTH.

WE ALSO LAUNCHED LASOO, OUR ONLINE RETAIL ADVERTISING SOLUTION. WE HAD A SUCCESSFUL LAUNCH OF THE WEBSITE IN NOVEMBER AND WE'VE ACHIEVED THE NUMBER ONE POSITION IN THE ONLINE RETAIL ADVERTISING MARKET. WE CURRENTLY HAVE OVER 50 RETAILERS, AND CAN BOAST THE FASTEST GROWING WEBSITE IN THE ONLINE SHOPPING AND CLASSIFIEDS CATEGORY. WE ARE WELL ON TARGET TO MAKE LASOO A HOUSEHOLD NAME.

STATE OF THE ART FUNCTIONALITY IN OUR VECOMMERCE BUSINESS IS CREATING OPPORTUNITIES TO OFFER TECHNOLOGY SOLUTIONS TO CLIENTS SUCH AS TELSTRA, AN AUSTRALIAN BIG FOUR BANK, TRANSURBAN AND TICKETEK. IN OUR SALESFORCE DIVISION WE ARE CHANGING THE WAY OUR CLIENTS VIEW THEIR CUSTOMER INTERACTION.

MEDIAFORCE HAS HAD SOME SIGNIFICANT BUSINESS WINS. WORKING CLOSELY WITH DIALECT TO PROVIDE SOLUTIONS TO OUR LARGE CLIENT BASE, AND CONTRIBUTING INCREASED VOLUMES AND REVENUES AGAIN IN THIS HALF.

AT THE SAME TIME, OUR BUSINESSES HAVE DELIVERED STRONG FIRST HALF SALES GROWTH OF 23% IN CHALLENGING MARKETS.

SLIDE 3 – FINANCIAL HIGHLIGHTS

STRONG SALES GROWTH FOR THE HALF WAS ACHIEVED ACROSS ALL DIVISIONS THROUGH BOTH ORGANIC GROWTH AND VIA ACQUISITIONS.

OUR PROFITABILITY BEFORE SIGNIFICANT ITEMS WAS IN LINE WITH THE GUIDANCE GIVEN AT THE AGM IN NOVEMBER.

THE BOARD HAS DEMONSTRATED ITS CONFIDENCE IN THE GROWTH POTENTIAL OF THE BUSINESS BY DECLARING A FULLY FRANKED INTERIM DIVIDEND OF 8.0 CENTS, UNCHANGED ON THE PREVIOUS YEAR.

THIS DIVIDEND WILL BE SUBJECT TO THE SALMAT DIVIDEND REINVESTMENT PLAN WITH A 2.5% DISCOUNT TO THE MARKET PRICE OF SHARES TO APPLY. BOTH PETER AND I HAVE DEMONSTRATED OUR ONGOING COMMITMENT TO SALMAT BY CHOOSING TO TAKE UP OUR FULL ENTITLEMENTS UNDER THE PLAN.

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 RESULT REFLECTS THE STRONG SALES GROWTH ACHIEVED ACROSS ALL DIVISIONS, WITH THE BENEFITS OF RECENT ACQUISITIONS COMING THROUGH, IMPACTED HOWEVER BY SHORT TERM MARGIN ISSUES. AS I HAVE DONE PREVIOUSLY, I WILL TAKE YOU THROUGH THE RESULT PRE-SIGNIFICANT ITEMS AS THE IMPACT IS LARGE, PARTICULARLY IN THE COMPARATIVE FIGURES.

SALES REVENUE FOR THE SIX MONTHS OF $371 MILLION, WAS UP 23% ON THIS TIME LAST YEAR, DUE TO A COMBINATION OF ORGANIC GROWTH ACROSS ALL DIVISIONS AND CONTRIBUTIONS FROM RECENT ACQUISITIONS, INCLUDING HPA. EXCLUDING THE HPA CONTRIBUTION, GROWTH WAS A SOLID 13%.

EBITDA WAS $34.9 MILLION, UP SLIGHTLY ON LAST YEAR. EBITA WAS $25.9 MILLION FOR THE HALF, DOWN SLIGHTLY ON LAST YEAR, AND I'LL GO THROUGH THE REASONS FOR THAT IN MORE DETAIL IN A MOMENT.

NET INTEREST EXPENSE OF $5.9 MILLION WAS UP SIGNIFICANTLY ON LAST YEAR DUE TO INCREASED DEBT FUNDING THE HPA ACQUISITION.

THE LOWER TAX EXPENSE REFLECTS THE PROFIT RESULT, WITH SOME PRIOR YEAR ADJUSTMENTS LOWERING THE EFFECTIVE RATE TO 27%.

NET PROFIT BEFORE SIGNIFICANT ITEMS WAS $14.3 MILLION, DOWN 8.9%, AND AFTER INCLUDING SIGNIFICANT ITEMS PROFIT AFTER TAX WAS $10.6 MILLION, DOWN 69.7%.

THE INTERIM DIVIDEND OF 8.0 CENTS FULLY FRANKED, PAYABLE ON 8 APRIL, IS UNCHANGED FROM LAST YEAR AND REPRESENTS A PAY-OUT RATIO OF 97.6%.

SLIDE 5 - SIGNIFICANT ITEMS

THERE WERE THREE SIGNIFICANT ITEMS IN THE RESULT.

LATE LAST YEAR WE ANNOUNCED A JOINT VENTURE WITH NEW ZEALAND POST TO DELIVER UNADDRESSED MAIL IN THE NEW ZEALAND MARKET PLACE. THE FORMATION OF THIS JOINT VENTURE RESULTED IN THE SALE OF OUR NEW ZEALAND TARGETED MEDIA OPERATION, DELTARG, TO THE NEW 50/50 JOINT VENTURE, WHICH HAS BEEN NAMED REACH MEDIA. WE HAVE RECOGNISED A $1.0 MILLION PROFIT ON THE SALE OF DELTARG AS A SIGNIFICANT ITEM.

AS FLAGGED AT THE AGM, FURTHER DEVELOPMENT AND LAUNCH COSTS FOR OUR ONLINE DIGITAL MEDIA, “LASOO” WERE $4.1 MILLION, OR $2.9 MILLION AFTER TAX.

AND LASTLY, INTEGRATION, RESTRUCTURE AND REDUNDANCY COSTS OF $1.8 MILLION RELATE TO INITIAL INTEGRATION COSTS FOR HPA, WHICH INCLUDED MOVING OUR NSW PRINT ON DEMAND AND WA BUSINESSES, AS WELL AS RESTRUCTURE AND RE-ENGINEERING COSTS IN MEDIAFORCE.

SLIDE 6 - REVENUE GROWTH

SALES REVENUE GROWTH ACROSS THE GROUP WAS STRONG, UP $69.2 MILLION OR 23%, TO $371 MILLION WITH ALL DIVISIONS CONTRIBUTING, WHICH YOU CAN SEE CLEARLY ON THE SLIDE.

BUSINESSFORCE WAS THE LARGEST CONTRIBUTOR WITH GROWTH OF $33.4 MILLION, INCREASING ITS REVENUE BY 37.5% TO $122.4 MILLION WITH HPA BEING THE MAIN CONTRIBUTOR. AS EXPECTED, REVENUES ON A LIKE FOR LIKE BASIS WERE RELATIVELY FLAT, AS WE EXITED SOME LESS PROFITABLE WORK IN OUR PRINT ON DEMAND BUSINESS.

SALES IN MEDIAFORCE WERE UP $24.1 MILLION, OR 26.5%, TO $114.9 MILLION. THIS WAS PRIMARILY DUE TO STRONG ORGANIC GROWTH IN CUSTOMERS AND VOLUMES IN THE AUSTRALIAN BUSINESS WITH CATALOGUE VOLUMES UP 9.6%, COUPLED WITH A $14.6 MILLION CONTRIBUTION FROM THE DIALECT ACQUISITION.

SALESFORCE REVENUES WERE UP $11.7 MILLION OR 9.6%, TO $134 MILLION DUE TO BOTH ORGANIC GROWTH AND A $5 MILLION CONTRIBUTION FROM VECOMMERCE. THE MORE MODERATE GROWTH IN THE CURRENT YEAR IS AS EXPECTED, AND MORE IN LINE WITH INDUSTRY STANDARDS THAN THE EXCEPTIONAL GROWTH ACHIEVED IN THE PRIOR CORRESPONDING HALF.

SLIDE 7 - EBITA

DESPITE THE STRONG SALES PERFORMANCE, EBITA BEFORE SIGNIFICANT ITEMS WAS DOWN 3.7% TO $25.9 MILLION. THIS WAS IN LINE WITH EXPECTATIONS AND REFLECTED MARGIN PRESSURES, PARTICULARLY IN MEDIAFORCE AND SALESFORCE.

BUSINESSFORCE'S EBITA WAS UP $6.2 MILLION TO $11.2 MILLION, WITH THE MAJORITY OF THIS INCREASE COMING FROM HPA AND INCLUDING EARLY SYNERGIES RECOGNISED OF $0.4 MILLION.

MEDIAFORCE'S EBITA WAS DOWN 9.4% OR $1.6 MILLION TO $15.5 MILLION. AS FLAGGED AT THE AGM, MARGINS WERE IMPACTED BY THE EFFECTS OF THE COMPETITIVE MARKET AND BY COST PRESSURE ASSOCIATED WITH THE INCREASED PAGINATION OF CATALOGUES AND THE SIGNIFICANTLY INCREASED NUMBER OF JOBS BEING PROCESSED. ADDITIONALLY THE INCLUSION OF A FULL HALF FROM THE CURRENTLY LOW MARGIN DIALECT BUSINESS HAS REDUCED OVERALL DIVISIONAL MARGINS.

SALESFORCE'S EBITA WAS ALSO DOWN FROM $9 MILLION TO $7.4 MILLION REFLECTING HIGHER CURRENT PERIOD COSTS FROM INCREASING OUR SEAT CAPACITY AS WELL AS THE IMPACT OF OPERATING AT LOWER BUT MORE SUSTAINABLE UTILISATION LEVELS OF AROUND 80%. WE HAVE ALSO EXPENSED THE COSTS OF GETTING OUR @HOME MODEL UP AND RUNNING INCLUDING OUR ONLINE TRAINING FACILITY.

IT IS WORTH NOTING THAT LAST YEAR'S SALESFORCE RESULT WAS BOOSTED BY A LARGE ONE OFF CENSUS CAMPAIGN.

CORPORATE COSTS INCREASED BY $2.7 MILLION, MOSTLY DUE TO HIGHER IT AND PEOPLE AND CULTURE COSTS INVOLVED IN RUNNING A SIGNIFICANTLY BIGGER BUSINESS AS WELL AS COSTS RELATED TO SUPPORTING OUR ONGOING OPTIMISE EFFICIENCY REVIEW PROGRAM.

SLIDE 8 – CASH FLOW

OPERATING CASH FLOW OF $9.8 MILLION WAS FLAT ON LAST YEAR, IN LINE WITH THE UNDERLYING BUSINESS PERFORMANCE.

NET CAPITAL EXPENDITURE OF $10.6 MILLION FOR THE HALF REPRESENTS 3.0% OF SALES AND IS IN LINE WITH OUR EXPECTATIONS.

SLIDE 9 – BALANCE SHEET

AFTER THE DEBT AND EQUITY RAISINGS ASSOCIATED WITH THE ACQUISITION OF HPA, OUR NET DEBT AT THE HALF YEAR END STOOD AT $259 MILLION, WITH A GEARING RATIO OF 47.7% AND AN ANNUALISED INTEREST COVER OF ABOUT 7 TIMES.

OUR DEBT LEVELS ARE COMFORTABLE, AND LOOKING FORWARD, GEARING IS EXPECTED TO REDUCE, AND WITH THE BENEFIT OF THE DIVIDEND REINVESTMENT PLAN, SHOULD RETURN TO OUR TARGET RANGE OF 40% - 45% BY YEAR END.

WE HAVE HEDGED $200 MILLION OF OUR DEBT AT PRE-CHRISTMAS RATES FOR ONE YEAR WITH FURTHER HEDGES IN PLACE FOR THE NEXT TWO AND THREE YEARS.

GOODWILL OF $407 MILLION ON THE BALANCE SHEET CURRENTLY INCLUDES THE FULL AMOUNT FROM THE HPA TRANSACTION. THIS WILL BE ADJUSTED IN DUE COURSE AS WE FINALISE THE VALUE OF OTHER INTANGIBLES (PRIMARILY CUSTOMER CONTRACTS), INDICITAVELY $50 MILLION TO $60 MILLION, WHICH WILL THEN BE AMORTISED OVER A 7 OR 8 YEAR PERIOD.

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

[PETER MATTICK]

THANKS ASHLEY. GOOD MORNING EVERYONE.

NEW SLIDE 10 – OPERATIONAL REVIEW

AS PHIL SAID, WE'VE HAD A VERY BUSY HALF WITH SIGNIFICANT STRATEGIC MOVES IN ALL OUR DIVISIONS.

IN MEDIAFORCE WE HAVE INVESTED IN RE-ENGINEERING OUR PROCESSES TO REDUCE COSTS AND INCREASE FUNCTIONALITY AND CUSTOMER SATISFACTION. WE SEE THIS AS THE KEY TO IMPROVING OUR RESULTS MOVING FORWARD. ON A BRIGHTER NOTE WE DO SEE COMPETITIVE PRESSURE ABATING AND WE LOOK FORWARD TO SEEING MORE RATIONAL PRICING BECOMING THE NORM IN THIS INDUSTRY.

IT IS PLEASING TO SEE NEW CUSTOMERS, SUCH AS DICK SMITH ELECTRONICS, TANDY AND POWERHOUSE RECOGNISING THE VALUE OF OUR MULTI-TIERED TOTAL ACCOUNTABILITY MODEL, AND THE UNRIVALLED OFFERING WE PROVIDE.

IN SALESFORCE WE HAVE SPENT TIME IN BEDDING DOWN OUR NEW CONTRACTS AND IN BUILDING NEW SEATS TO KEEP OUR UTILISATION AT SUSTAINABLE LEVELS. WHILST THIS HAS IMPACTED ON FIRST HALF PROFITABILITY, WE EXPECT A STRONGER SECOND HALF AND AN IMPROVED FULL YEAR RESULT.

IN BUSINESSFORCE THE OBVIOUS FOCUS HAS BEEN ON THE PURCHASE OF HPA AND THE ASSOCIATED INTEGRATION. THIS INTEGRATION PROCESS WILL INCREASE COSTS FOR THE DURATION OF THE PROJECT, EXPECTED TO BE AROUND TWO YEARS BUT AT THE END WILL LEAD TO SIGNIFICANT EBITA UPSIDE. THE INTEGRATION IS GOING WELL WITH BOTH TEAMS COMBINING TO MAXIMISE OUR OUTCOMES. IN ADDITION WE HAVE SEEN FURTHER

RATIONALISATION IN THE INDUSTRY WHICH IS POSITIVE FOR THE LONG TERM GROWTH PROSPECTS OF THIS BUSINESS.

SLIDE 11 – STRATEGIC POSITION ACHIEVED

WE HAVE BEEN TALKING TO YOU FOR A NUMBER OF YEARS NOW ABOUT OUR STRATEGY FOR GROWING SALMAT. WE HAVE FOCUSED OUR EFFORTS ON MAKING THAT STRATEGY A REALITY.

WE HAVE BUILT A STABLE OF FIRST CLASS ASSETS WITH DISTINCTIVE CAPABILITIES THAT WILL BE THE DRIVING FORCE BEHIND OUR FUTURE COMPETITIVE ADVANTAGE AND PROFITABILITY.

WE HAVE DEVELOPED SOLUTIONS THAT ALLOW OUR CLIENTS TO COMMUNICATE TO LARGE AUDIENCES – ONE PERSON AT A TIME.

WE HAVE BEEN A THOUGHT LEADER IN THE MOVE FROM MARKETING EXPOSURE TO ENGAGEMENT WITH THE END CUSTOMER.

AND WE NOW BELIEVE THAT SALMAT IS IN A POSITION TO HIGHLIGHT ITS COMPETITIVE ADVANTAGE IN THE AUSTRALIAN MARKETING LANDSCAPE - THE ONLY COMPANY THAT HAS THE TECHNOLOGICAL AND STRATEGIC CAPABILITIES TO DELIVER ONE-TO-ONE COMMUNICATIONS ON A MASS SCALE.

THERE IS STILL WORK TO DO.

WE HAVE RESTRUCTURED ALL OUR BUSINESSES OVER THE PAST 12 MONTHS, AND THIS IS A CONTINUING PROCESS. THE HPA INTEGRATION REMAINS OUR TOP PRIORITY FOR

THE TIME BEING. LASOO IS ALSO A KEY AREA OF FOCUS FOR US AS WE EMBARK ON OUR JOURNEY TO MAKE IT A HOUSEHOLD NAME. OUR FOCUS ON TECHNOLOGY IS A KEY AREA OF DIFFERENTIATION FOR US AND IT REMAINS A PRIORITY ACROSS ALL BUSINESSES. WE DO NOT FORESEE ANOTHER MAJOR ACQUISITION IN THE NEXT YEAR OR SO AS WE CONCENTRATE ON BEDDING DOWN OUR RECENT ACQUISITIONS.

IT'S TIME TO SETTLE DOWN AND MAKE SOME MONEY. WE WILL DO THIS BY DRIVING INTERNAL EFFICIENCIES, CONTINUING TO RE-ENGINEER OUR PROCESSES, WORKING TO ACHIEVE INTEGRATION SAVINGS AND SYNERGIES, AND IMPROVING OUR MARGINS.

OUR FOCUS ON THESE THINGS IS NOT FOR SHORT TERM GAIN AND THEY INVOLVE SOME UP FRONT PAIN. BUT WE STRONGLY BELIEVE THAT THIS IS THE RIGHT PATH FOR OUR COMPANY AND WE EXPECT THE BENEFITS TO BEGIN TO FLOW THROUGH IN FY09.

SLIDE 12 – OUTLOOK

THIS HALF HAS BEEN SIGNIFICANT FOR SALMAT WITH THE PURCHASE OF HPA AND THE LAUNCH OF LASOO. ALTHOUGH WE WILL NOT SEE THE FULL PROFIT POTENTIAL FROM THESE TWO INITIATIVES THIS YEAR DUE TO THE INTEGRATION AND START UP COSTS, WE ARE FOCUSED ON THE BENEFITS OF THESE COMING ON LINE IN 2008/09.

SUBJECT TO OUR NORMAL CAVEATS, WE EXPECT EBITA BEFORE SIGNIFICANT ITEMS FOR THE FULL YEAR TO BE BETWEEN $55 MILLION AND $60 MILLION, WHICH IS 17% – 27% UP ON LAST YEAR."

IF I MAY JUST TAKE A MOMENT TO CLOSE TODAY WITH OUR THANKS TO ASHLEY FENTON. ASHLEY HAS BEEN WITH US FOR SIX YEARS AS OUR CFO AND HAS BEEN AN INTEGRAL

PART OF OUR MANAGEMENT TEAM. HE WILL LEAVE SALMAT AT THE END OF MARCH AND WE WISH HIM WELL IN HIS FUTURE ENDEAVOURS.

WE WOULD ALSO LIKE TO ANNOUNCE THAT A NEW CFO HAS BEEN APPOINTED. COLIN WRIGHT WAS PREVIOUSLY THE CFO FOR HPA LIMITED AND BRINGS MANY YEARS EXPERIENCE TO THE JOB, WITH 9 YEARS EXPERIENCE AS CFO OF A PUBLIC COMPANY. WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO WELCOME HIM TO HIS NEW POSITION.

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