



focus
simplify
grow



We have transformed our operations, refined our product and service offering and realigned our cost base:



Upgraded to cloud-based technology platforms



Exited non-strategic and unprofitable businesses



Increased focus, reduced complexity



Reduced operating costs



Completed in 2015

January 2015

Restructured business operations

Product and services review, rationalisation

December 2015

Reviewed internal systems Installed new cloud-based platforms

Overhauled sales approach, rolled out sales reporting tool

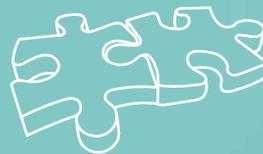
*we are match fit
and ready to
grow.*



Focus, Simplify, Grow



Improved service levels



Increased collaboration

January 2016

Finalised rightshoring rightsizing

Rolled out integrated marketing and branding

In progress 2016

Completing internal systems rationalisation, office platform rollout

Further optimise sales and client services. Drive sales and revenue growth

Salmat is a marketing services business

We help clients navigate the ever more complex world of marketing and help to ease the constant pressure of acquiring and servicing customers through our media, digital and contact capabilities.

We help them to drive growth.



We draw from our product and services suite to build the right solution for each client.

We help our clients to:

REACH

the right people
at the point of
decision making.

CONVERT

them into
customers, making
it easy for them to
transact.

SERVE

their customer
base via multiple
channels and 24/7
connectivity.

We do this through a select range of products
and services, broadly categorised into
two key divisions:



Contact



customer
experience solutions



speech solutions



managed
services



contact centres
(voice, email,
webchat, SMS,
social media)

Salmat has transformed significantly in the past 12 months. The hard work done to simplify and streamline operations and improve service levels is paying off, with reduced costs and increased earnings.

Peter Mattick AM, Chairman

↑ 47.4%

Underlying EBITDA
up by 47.4% on the prior year



Delivering results

Salmat's business transformation strategy is delivering results. The product and services suite has been refined, operations streamlined and costs optimised. The benefits are flowing to the bottom line.

The past financial year has seen a great deal of change within Salmat, at the fundamental level of how things are done, what services we offer and how we track and report our progress. While this has impacted revenue in the short term as expected, we are already seeing indicators of progress towards our medium term goals.

Performance overview

Salmat's FY16 performance reflects the transformation focus of the past 12 months. Following a strategic review of products and services, a number of these were discontinued, impacting revenue by around \$38 million. As a result of the transformation program cost-saving initiatives and a focus on higher-margin services, underlying EBITDA increased on the prior year.



Peter Mattick AM, Chairman

Some of the highlights of the past 12 months include:

- Key milestones were achieved, including the implementation of new cloud-based back office systems and rightsizing the business.
- Transformation of the cost base from fixed to largely variable and reduced overall costs, contributing to growth in underlying EBITDA.
- Improved process integrity, delivery capability and client service levels.
- New marketing approach and brand positioning developed.
- Retained all major catalogue contracts up for renewal in competitive market.
- Good performance by Netstarter and MicroSourcing acquisitions.

Strategic direction

The 'Focus, Simplify, Grow' business transformation program has been a key strategy for the past 18 months and continues to remain relevant. Up until now, the majority of the work has been internal-facing, however the recently-launched new branding and marketing program will support the shift to a more external focus, driving and supporting sales growth with a clearer message about Salmat's unique value proposition.

The transformation so far has delivered some positive results to date that Craig Dower details in his CEO report. What has become clear over the past few years is that the pace of change for our clients has quickened, thus the demand on Salmat to continuously improve and evolve to meet client needs has grown. Ongoing evolution will be part of Salmat's business as usual. The changes we have made through the transformation process have enabled Salmat to be far more agile and able to innovate and evolve faster.

Capital management

Cash was retained in FY16 for the completion of acquisitions, as well as funding growth and restructuring initiatives springing from the transformation strategy. As a result, no dividends were paid for FY16.

Capital management was reviewed subsequent to the end of the financial year in the context of the MicroSourcing acquisition completion. Salmat acquired the remaining 50% of the MicroSourcing business on 10th August 2016, for US\$24.1 million. This consideration is being paid via a combination of cash and shares, including some deferred payments. At time of writing, alternatives to fund the payments were under consideration.

Vale Salmat Founder and Director, Philip Salter

In November 2015, we were sad to announce the passing of Salmat Director and co-founder, Philip Salter. Phil was a lifelong friend and a great business partner. He was key to Salmat's establishment in 1979 and integral to its growth from a small letterbox distribution business to an ASX-listed company. Salmat was an important part of Phil's life and he remained actively and passionately involved as a Director until the end. Phil continues to be sadly missed and will always be remembered.

Thank you

Thank you on behalf of the Board to the entire Salmat team for your hard work, perseverance and understanding throughout a period of significant change over the past 12 months.

Thanks also to my fellow Board members for your guidance and contribution, and to our valued clients, partners and of course our shareholders for your continued support.

I look forward to updating you on Salmat's progress at our Annual General Meeting in November.

Peter Mattick AM
Chairman

*focus
simplify
grow*



We are on track. Salmat's business transformation is delivering the changes that will support growth over the medium term and well into the future.

Craig Dower, Chief Executive Officer

We've done great work during the year to focus on what we do best and simplify the way we do it. Now we are targeting growth.

In the past 12 months, Salmat has changed the way we work. We've ensured that we are more stringent in reviewing where we play, focusing on where we know we can excel and make a reasonable return. We've changed how we collaborate and work together to ensure that we are using common systems, consistent processes and shared resources. We have moved our IT to the cloud, making us more agile and cost effective. We are delivering better service to our clients. We've thoroughly reviewed the business and gone back to basics to make sure that the fundamental operating model is right. Having transformed the cost base, we have seen earnings grow. We are now targeting new revenue that will contribute to both the top and bottom line. Our new business growth is at stronger margins than the businesses we have exited. All of these factors combined are making Salmat a leaner, more relevant and more profitable business.

Financial performance

Revenue was down 9.5% on the previous year to \$450.8 million. This decrease was the combination of almost \$38 million in underperforming and non-strategic services discontinued following the product and services portfolio review, along with the exiting of a number of customer contracts. While client retention was strong, new sales dropped in the third quarter of the year. Several new initiatives were implemented during the second half of FY16 to specifically target revenue growth and these are already showing results.

We were pleased to see underlying EBITDA grow to \$19.6 million, especially given the reduced revenue. The business transformation program was the key contributor to this result,

as we not only reduced costs overall but transformed many fixed costs into variable costs.

Significant item net costs of \$6.8 million included transformation restructuring costs and a fair value adjustment on acquisitions, offset by profit on the sale of an investment in an associate and a small online learning business. The comparative FY15 figure included these items as well as a substantial, one-off non-cash impairment for goodwill and intangibles.

The net loss after tax of \$6.0 million represented an 93.8% improvement on FY15.

Net cash was reduced in FY16 by payments, deferred consideration and dividends relating to the MicroSourcing and Fuse acquisitions and stood at \$14.8 million at 30 June 2016.

Results (in \$ millions except where stated)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|---------|-------------------|-------|--------|-------|
| Financial performance | | | | | |
| Revenue | 823.9 | 467.6 | 452.8 | 498.1 | 450.8 |
| Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) | 103.5 | 36.3 | 18.2 | 13.3 | 19.6 |
| Underlying earnings before interest, tax and amortisation (EBITA) | 80.9 | 25.8 | 8.6 | 2.2 | 9.5 |
| Net significant items included in the result (before tax) | (5.7) | (12.5) | (9.4) | (91.3) | (6.8) |
| Statutory net profit/(loss) after tax (NPAT) | 30.3 | 40.1 | 0.8 | (98.0) | (6.0) |
| Earnings per share (cents) | 19.2 | 25.4 | 0.2 | (62.8) | (5.0) |
| Cash flow | | | | | |
| Operating cash flow | 77.6 | 26.4 ¹ | 12.5 | (5.7) | 5.4 |
| Cash capital expenditure | 18.2 | 12.9 | 16.2 | 8.5 | 3.6 |
| Net (debt) / cash | (241.6) | 90.0 | 50.0 | 23.1 | 14.6 |
| Interest coverage ratio (%) | 4.9 | 99.1 | NMF | 7.3 | 11.0 |
| Gearing (Net debt: net debt + shareholder funds) (%) | 47.1 | 0 | NMF | NMF | NMF |
| Other key measures | | | | | |
| EBITDA margin (%) | 12.6 | 7.8 | 4.1 | 2.7 | 4.3 |
| Net profit margin (%) | 3.7 | 8.6 | 0.2 | (19.7) | (1.3) |
| Return on capital employed (%) | 15.0 | 6.5 | 2.5 | (1.0) | 4.6 |
| Employees (full time equivalent) | 5,119 | 3,404 | 3,658 | 3,640 | 3,097 |
| Dividends | | | | | |
| Ordinary dividends (cents per share) | 19.0 | 11.5 | 15.0 | — | — |
| Special dividends (cents per share) | — | 21.0 | — | — | — |

1) Restated due to interest reclassified under investment activities



Craig Dower, Chief Executive Officer



Underlying earnings up



Operating cash flow positive



Cash capital expenditure down

Strategic progress

The business transformation program that commenced in FY15 continued to be our key strategic priority in FY16. The aim of this initiative has been to focus our efforts on areas of market leadership; simplify every aspect of Salmat's operations; and grow the business in a targeted and sustainable manner.

Having undertaken a comprehensive review of the business and commenced some of the transformation process in FY15, the past 12 months was a period of implementation: establishing the best frameworks and getting the fundamentals right.

At the beginning of FY16 we installed a new cloud-based platform that consolidated several disparate finance, reporting and human resources systems. This has been progressively expanded and upgraded, with new functionality added throughout the year. This platform not only reduces duplication and cost and increases efficiency, but importantly enables multiple parts of the business to be sharing a single common view of business information.

A new cloud-based internal office system was also rolled out to replace the existing suite of email, document and other office tools. This has had a transformative effect on how we work, with much greater collaboration across our multiple locations and a substantial reduction in non-customer related travel. Our current sales reporting tool was also extended across the wider sales team to facilitate consistent reporting.

These cloud-based platforms are transforming the way we work, as well as the financial impact of IT. We are less capital intensive, and our IT capabilities are increasingly focused on customers and innovation, and less on maintenance and support operations.

Improving delivery capability was another important priority that had been identified in the business review. All areas of operations were put under the spotlight to identify best practice tools, systems and methods that were then formalised and shared with the wider business. Improved governance procedures to ensure compliance with these new common standards were also put in place. Feedback suggests that our clients are noticing the difference.

Through the products and services review, a number of underperforming and non-strategic service lines were identified, including door-to-door and kiosk sales; eLearning and resource-intensive bespoke software development. These were ramped down during FY16, freeing resources to focus on more profitable revenue in the future.

With the sharper portfolio of services defined, the marketing team undertook a thorough review of Salmat's brand reputation and developed new market positioning based around client needs. This positioning builds on Salmat's role as a marketing services provider for businesses, explaining how we help clients to Reach, Convert and Serve their customers throughout the purchasing lifecycle.

This new positioning more accurately describes what Salmat does and how we help clients get customers; and will support Salmat's sales team in their drive to grow revenue in FY17.

The refreshed Salmat identity and brand promise was launched in August and is being communicated to all audiences over the next six months.

Operations review

Media + Digital

Media + Digital sales revenue of \$254.9 million was down 13.1% compared with the prior year. Discontinued Digital and field sales services – particularly kiosk-based field sales – and reduced discretionary spend by retailers all contributed to the decrease.

Despite the reduced revenue, Media + Digital underlying EBITDA of \$24.2 million was only down 4.0% from \$25.2 million in the prior year. This was thanks to a concentrated effort across the division to streamline costs and processes. Transformation program efficiency improvements including better work processes and reporting; more rigour around what we do and don't offer to clients; better qualification of sales opportunities; and more collaboration overall all helped to offset the impact on the reduced revenue on margins.

Within Media, almost 45% of the letterbox distribution business came up for renewal during the year in the form of major catalogue contracts. Salmat was successful in retaining all of these contracts: a reflection on our competitive advantage in delivery capability. While there was an overall impact on average selling price amongst top tier clients, we grew revenue in associated areas such as print services.

Given the intense price competition that persists in the existing traditional catalogue market, Salmat continues to invest in innovation to reduce costs, increase quality and differentiate our offer, as well as target non-traditional 'white space' business to grow revenue.

We have continued to grow revenue from non-traditional segments such as finance and automotive, via media agencies and from servicing smaller businesses and franchises through our online portals. We have grown our non-catalogue deliveries including product samples and fliers, diversifying our client base and improving margin.

Digital services performed well in FY16. Closing a number of non-strategic and low-margin lines reduced revenue in the short term but has enabled us to better focus on a tighter portfolio of services that fit well together. The business transformation work done to improve operations in this area has also had a positive effect. Redesigned work processes, improved reporting and a better connection between Salmat's physical and digital assets helped us to plan and forecast more accurately.

The Netstarter ecommerce business became fully integrated with the rest of the Digital operations during FY16 and has performed well, winning a good volume of work during the year. As an award-winning market leader in the field, the ecommerce team was the first in the world to launch a site on the new Magento 2.0 platform. On the back of the existing portfolio, we have built a strong reputation amongst mid-tier and particularly fashion retailers, carving a niche speciality in this segment.

The ecommerce solution also works seamlessly with the other Digital services in the suite, increasing the opportunity to bundle sales. We've had some great results cross-selling into areas such as email and search and we will be working to make better use of our own extensive data to add more value for clients.

Digital also launched a new competitions platform during the year, enabling clients to quickly and easily set up single or multichannel competition campaigns using media such as Facebook, Instagram and microsities.

Contact

Contact sales revenue was down 3.9% on the previous year to \$194.9 million. New contact centre business wins were outweighed by discontinued and lost contracts. In some cases, timing was a factor, as several new wins were secured too late to impact FY16 revenue. These will contribute to FY17 revenue and a good pipeline of further opportunities is also in place. The MicroSourcing business made an increased contribution to revenue in FY16.

Contact underlying EBITDA of \$5.7 million was down 19.4% on the previous year, mainly due to the reduced revenue and IT costs associated with investment in our contact centre solution. The timing of contract wins and losses in FY16 also played a part. MicroSourcing made a positive contribution to EBITDA as it continued to perform well.

Following the extensive Reach platform migration that took place in FY15, the contact centre business was focussed on high-quality client service delivery and operational improvement during FY16. The management team was reorganised to enable teams to focus on driving operational excellence, improving our overall client engagement and delivery metrics. Best practice guidelines have been developed and implemented across all contact centres, with operational excellence to be embedded in all that we do.

A number of contracts closed during the year as work completed, moved in-house for regulatory reasons or moved to shared service providers. Some solid new wins were secured and will contribute from the second half of FY17. Salmat will also be increasing our focus on Government sector opportunities during the coming year – this is an area in which we are building momentum, having established a solid reputation around service delivery.

The improvement drive within the contact centre business will continue in FY17. Salmat's contact centre offering is now ready for the next phase of innovation, with a shift to fully cloud-based operations during FY17. This move will increase the speed of job establishment, reduce technology fixed costs, increase scalability and reduce maintenance downtime.

Further benefits will flow from the relocation of Salmat's domestic contact centre operations to new customised, flexible premises in mid FY17 – a change that will increase workforce agility and reduce costs.

Salmat's offshore contact centre businesses in New Zealand and the Philippines have both grown during the past year, with the Philippines facility in particular operating at near capacity.

Also in the Philippines, Salmat's MicroSourcing business has maintained growth year on year. Following the acquisition by Salmat of the remaining 50% of the business in August 2016, MicroSourcing has continued to operate under its current brand, operating model and management. With its market-leading position in offshore managed services, MicroSourcing has an extensive base of predominantly US-based clients and has achieved largely organic growth. We are investing in additional sales resources in both the USA and Australia to help drive additional sales growth in the coming year.

Outlook

Salmat is well-positioned following our transformation. We've streamlined our operations, reviewed every part of the business to improve our practices and processes and thoroughly reviewed the product and service offering to ensure that we are participating in the fields where we are or can be the market leader. This has at times been a difficult process, but it has been essential for Salmat's ongoing sustainability.

We've seen Salmat's underlying EBITDA margin grow over four successive halves in FY15 and FY16 and we aim to continue that growth. With a clear focus on growing profitable revenue in FY17 we continue to target sustainable EBITDA margins in the medium term.



Craig Dower
CEO

Salmat's Directors draw on an extensive range of skills and experience to oversee the strategic direction and corporate governance of the business.

Peter Mattick AM

Chairman

Peter Mattick co-founded Salmat Limited in 1979 and served as its Joint Managing Director until his retirement from executive duties with Salmat in October 2009. Since that time Peter has remained as a Non-executive Director of the company and assumed the role of Chairman in November 2013.

Peter has served as Chairman and Director of the Australian Direct Marketing Association and is a member of the National Aboriginal Sports Corporation. He is a Fellow of CPA Australia and the Australian Institute of Company Directors, a Governor of the Advisory Council for the Institute of Neuromuscular Research and Chairman of The Shepherd Centre. Peter was educated at the University of New South Wales where he gained a Bachelor of Commerce degree. Peter was awarded a Member (AM) in the General Division of the Order Of Australia in 2014.

Fiona Balfour

Non-executive Director (Independent)

Fiona is an independent non-executive director of Metcash Limited, TAL (Dai-ichi Life) Australia and Airservices Australia; a Member of Chief Executive Women; a Fellow of Monash University; and a Fellow of the Australian Institute of Company Directors.

Fiona has over 35 years' experience working in enterprise technology across Aviation and Transport, Information and Telecommunication Services, Financial Services, Distribution and Logistics, the Education sector and not-for-profits. Fiona is a former Council Member and Treasurer of Knox Grammar School, former Trustee of the National Breast Cancer Foundation, former Chair of the St James' King Street Conservation Appeal, former Council Member of Chief Executive Women and is a former Non-executive Director of SITA SC (Geneva). Fiona holds a BA Hons (Monash), Dip IM (UNSW) and MBA (University of RMIT).

Ian Elliot

Non-executive Director (Independent)

Ian is a Non-executive Director of Hills Limited and McMillan Shakespeare Limited; a former Chairman of Promentum Limited; and a former Commissioner of the National Rugby League. He is a Fellow of the Australian Institute of Company Directors. Ian is also a former Chief Executive Officer of George Patterson Bates and a graduate of the Advanced Management Program of the Harvard Business School.

John Thorn

Non-executive Director (Lead Independent)

John Thorn has been a Non-executive Director of Salmat Limited since September 2003. John is a professional Director and brings expertise to the Board in the areas of accounting, financial services, mergers and acquisitions, business advisory, risk management and general management.

He had 38 years of professional experience with PricewaterhouseCoopers (PwC), where he was a Partner from 1982 to 2003 advising major international and Australian companies. He served on the firm's Board, was the Managing Partner of PwC's Assurance and Business Advisory practice and was the National Managing Partner of PwC until 2003. He has experience in Asia having lived and worked in Singapore and Indonesia. John is a Non-executive Director of Amcor Limited (appointed December 2004) and a former Director of National Australia Bank Limited (October 2003 – December 2014) and Caltex Australia Ltd (June 2004 – 2013). His Board committee experience includes Audit Committees (Chairman), Human Resources Committees, IT Committees, Nomination Committees and Risk Committees.

Mark Webster

Non-executive Director

Mark is presently Managing Director of the thoroughbred sales group, William Inglis and Son Limited. 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. Mark has established the Inglis Digital division, which operates bloodstock.com.au and horsezone.com.au – both now market leaders. Mark has also served as Director on a number of Boards over the past 15 years, including realestate.com.au and Nationwide News Limited.

Board of Directors

Pictured left to right



Salmat's senior executive team is driving the implementation of the business transformation strategy and day-to-day operational excellence.

Craig Dower

Chief Executive Officer

Craig joined Salmat as CEO in April 2014. Prior to joining Salmat, Craig was President of Asia Pacific and China (APAC) for Avanade, a joint venture between Accenture and Microsoft. After joining Avanade in 2007 as the Australian Managing Director, Craig spent five years living in Asia, leading Avanade through a major growth period, establishing APAC as the fastest growing region within Avanade. In that time, Craig also served on the Accenture Asia Pacific technology leadership team. Prior to Avanade, Craig held senior executive positions with the Coles Group, EDS, Lucent and Mallesons Stephen Jaques, as well as two private equity-owned technology companies. Craig has been in the Information Communications Technology (ICT) industry for over 30 years. He has served as a Director on several Boards, in both executive and non-executive capacities. Craig has successfully led several businesses through periods of significant change and growth. Craig is a Fellow of the Institute of Company Directors, a Fellow of the Australian Institute of Management and a member of the Australian Computer Society.

Rebecca Lowde

Chief Financial Officer

Rebecca joined Salmat as Chief Financial Officer in August 2014, following five years as CFO of Bravura Solutions. She has an extensive background in managing finance, contracts, strategy, mergers and acquisitions, budgeting and sales, and has a proven track record managing large, multi-cultural teams from around the world including the EMEA and Asia Pacific regions. Rebecca also held the position of Executive Director at Bravura Solutions and was responsible for other functional areas including Legal, Information Technology and Human Resources. Prior to her role at Bravura, Rebecca held the CFO & COO, Asia Pacific and Japan role at SAP Business Objects and various other senior executive positions in Australia, Europe and Asia for Lexmark and Oracle. Rebecca holds a Bachelor of Business in Accounting and Computer Science at Charles Sturt University and is a member of the Australian Institute of Company Directors.

Chris Walsh

Chief Operating Officer

Chris Walsh joined Salmat in December 2014 and was appointed Chief Operations Officer in April 2015. Chris is responsible for all aspects of technology, three operating units, and overall business operations. Prior to this, Chris was a Director at Information Services Group, and has also managed large-scale operational management and business transformation programs for some of Australia's largest enterprise companies including Telstra, Qantas, Westpac and David Jones.

Kathleen Forbes

General Counsel

Kathleen joined Salmat in 2011 as General Counsel, and brings over 20 years of commercial legal experience to the role. Prior to joining Salmat, Kathleen held General Counsel and Company Secretarial roles for the Staples group in Australia and New Zealand, and was Legal Counsel at Tenix. Kathleen spent the first five years of her legal career at the national law firm Clayton Utz. Kathleen is admitted as a solicitor of the NSW Supreme Court.

Ian Jones

Chief Sales Officer

Ian rejoined Salmat in May 2016 as Chief Sales Officer, following 2.5 years as General Manager of Sales for Enterprise, Corporate and Government for Australia Post responsible for group revenue and sales transformation. Prior to that, Ian had more than twenty years of experience at Salmat, in a number of senior sales and general management roles. Ian is responsible for driving a renewed focus on sales and revenue across the business.

Senior Executives

Pictured left to right



Salmat is committed to doing business in a sustainable and socially responsible manner. We aim to make a positive difference for our people, our communities and our environment in our day-to-day activities.



People

At Salmat we actively promote building great relationships with our people. We aim to make Salmat a safe and enjoyable place to work, giving employees the support they need to perform at their best. We're proud to offer our staff a variety of special benefits and offers, as well as free access to a Wellness portal and Employee Assistance Program for professional advice on personal and work-related issues. We continued to extend our range of employee offers during FY16 and are always looking for opportunities to deliver further benefits.

The business transformation program had a sizable impact on Salmat's staff during the year, with a significant number of changes on several fronts including facilities, operating systems, work practices and team structures. A key focus of the People team for FY16 was helping staff to manage this change with minimal disruption to the business. This included working with a dedicated change management team to effectively communicate the transition process and support staff through the changes in their work environment.

There were also several upgrades to functionality in the new Workday finance and human resources platform launched for the FY16 financial year. Leave processing, expense claims and performance reviews are now all centralised within the Workday system, providing a single source of truth for the People team. Actions that previously required manual processing or multiple softwares can now be completed all in the one system, simplifying procedures for the People team and employees alike.

Salmat also made the shift from the existing Microsoft Office suite to the Google for Work platform during the year, which impacted the majority of Salmat staff. A series of training and information sessions were held and a support forum established to help employees make a painless transition to the new operating platform.

With the various tools up and running, the new Google system has helped to increase collaboration and teamwork across the group, particularly between employees in different locations who can now quickly and easily catch up via video 'hangouts'. Travel costs have been significantly reduced as the need for employees to go to other sites for meetings has dropped.

Investment in training and development is important at Salmat, and two new training tools were launched in FY16. In September, Salmat entered into an enterprise-wide agreement with Lynda.com — a leading online learning company. Lynda.com provides a vast online library of instructional videos covering technical, creative and business skills training. Salmat has also recently launched new and improved staff compliance training via the Safetrac system. Safetrac is an engaging, user-friendly cloud-based platform that is accessible from any location and multiple devices.

For FY17, Salmat is launching a refreshed People strategy, with a focus on streamlining processes in line with our Business Transformation program; improving Salmat's reward and recognition program; and continuing to develop the learning and development capability throughout the business.

Health and Safety

Salmat has a comprehensive Safety and Wellness program in place that is geared to both the prevention of injuries as well as promoting physical and mental health.

In FY16, Salmat continued with this successful proactive approach to Health and Safety which has seen many cumulative indicators improve consistently for the past four years.

Strategies to maximise safety include a regular Safety Walks program to identify hazards; safety auditing and monthly dashboard reporting; regular staff education; detailed safety policies and procedures to cover activities on all sites; and an active safety committee.

The safety results for FY16 show a continued improvement in our ability to provide a safe place of work, which enabled Salmat to reduce baseline costs associated with insurances. Open worker claims have reduced over time from 23 in FY11 to just one by the end of FY16.

The Lost Time Injury Frequency Rate did increase slightly to 1.23 per million hours worked in FY16 (FY15: 0.71).

The increase was the result of some minor injuries reported during a site change in early FY16, however the majority of those injured returned to work within a week.

Salmat's Wellness initiative includes a range of health promotion and support activities, including discounted health insurance and gym memberships; a dedicated wellness portal for employees; and webinars on issues such as mental health. We have also extended Salmat's first aid program to include trained Mental Health First Aid Officers who are available to assist employees in all key sites.

During the year, Salmat commenced a new wellness strategy trial within one of our Melbourne call centres. A program based on five key pillars of health (Fitness, Nutrition, Sleep, Stress, Mental Health) was delivered as a weekly information and training session to groups of staff, with teams then required to set personal goals and follow through on these. Given the positive results, this program will continue in FY17. We will be looking to explore this further and develop similar programs to engage a wider group of staff.

Community

Salmat regularly supports charity and community-based initiatives, at both a corporate and local level.

Our key giving initiative is the Activate program, which assists a range of staff-nominated charities. Salmat employees are able to specify a regular donation that is deducted from their salary, with every donation matched dollar-for-dollar by Salmat. In FY16, more than \$70,700 was raised through Activate.

Salmat's chosen charity this year was Save the Children, supporting a maternal and newborn child health program in Ethiopia. This program operates in the Amhara region to improve the quality of antenatal and postnatal care and encourage people to seek health care assistance, reducing mortality rates and improving community health overall.

Local branches and staff also raise funds for a number of causes throughout the year, participating in events such as Dry July and the Biggest Morning Tea for cancer support.

In May 2016, Sri Lanka was hit by severe floods and landslides. Both Salmat's Netstarter operations in Colombo Sri Lanka and the Sydney contingent launched an appeal to provide rations, clothing and other supplies as well as financial support to those affected by the flooding. Staff raised almost \$4,500 in just a few days, with this amount matched by Salmat.

Salmat also has a number of individual sponsorships in place.

In FY15, Salmat established a scholarship to support rural and particularly indigenous students attending the University of NSW Business School. The \$20,000 scholarship assists high-achieving undergraduate students with the cost of on-campus accommodation for up to three years, enabling them to fully participate in university life. This program continued in FY16 and will be an ongoing annual scholarship for the future.

During FY16, Salmat also continued to support young swimmer Thomas Fraser-Holmes. Thomas was the first Australian swimmer to book a spot at the Rio Olympics. He put in a great effort to compete in a range of freestyle and medley events at the Games, just missing out on bronze in the 200m freestyle relay.

Environment

Salmat is committed to the protection of the environment and to compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which it conducts its business. While Salmat is not subject to significant environmental regulation in respect of its operations, the company has set down a rigorous approach to sourcing and working with suppliers that comply with our environmental criteria.

Salmat's environmental policy is centred on implementing Reduce, Reuse and Recycle principles in relation to paper, energy and water consumption, waste, office supplies, maintenance and cleaning, purchase of goods and services and disposal of equipment.

Procedures have been developed to ensure that the necessary controls are in place and available to all staff. We maintain internal monitoring with full reporting for all environmental hazards or incidents as a natural extension of our Safety system.

Our recycling providers are regularly reviewed by our procurement teams as we recognise the importance of controls around the disposal of our outputs in protecting the environment. Our largest environmental impacts come from our Media operations and the control of our plastics, cardboard and paper by-products and waste relating to those services are locally managed. This includes on-site segregation and controlled disposal through our approved providers.

Salmat Limited

ABN 11 002 724 638

Registered office

Level 3, 116 Miller Street
North Sydney NSW 2060

Phone: (02) 9928 6500

Fax: (02) 9928 6652

www.salmat.com.au

Directors

| | |
|---------------|---|
| Peter Mattick | Chairman |
| Fiona Balfour | Non-executive Director (Independent) |
| Ian Elliot | Non-executive Director (Independent) |
| John Thorn | Non-executive Director (Lead Independent) |
| Mark Webster | Non-executive Director (Independent) |

Company Secretary

Stephen Bardwell

Auditors

PricewaterhouseCoopers
GPO Box 2650
Sydney NSW 1171

Bankers

Australia and New Zealand Banking Group Limited

Share Registry

Link Market Services
Locked Bag A14
Sydney South NSW 1235

Phone: 1300 554 474 or (02) 8280 7111

International: +61 2 8280 7111

Fax: (02) 9287 0303

Web: <http://www.linkmarketservices.com.au>

Stock Exchange Listing

Salmat Limited shares are listed on the
Australian Securities Exchange. ASX code: SLM

Annual General Meeting

The Annual General Meeting will be held at:
10.00am Monday 21 November 2016
Museum of Sydney
Corner Bridge and Phillip Streets
Sydney NSW 2000

Please refer to the formal Notice of Meeting for full details.

Key dates

Annual General Meeting 21 November 2016

Half year results February 2017

Full year results August 2017

The Australian Securities Exchange will be notified
of any changes to these dates.



salmat