
The
**WELLCOM
GROUP
LIMITED**

Results
1H11

HIGHLIGHTS

- NPAT increase of 16% on a comparable operating basis.
- NPAT increase of 11% on the previously reported operating basis.
- Solid growth in TFM (hubs) in Australasian pre-media with continued growth of revenues (71% of revenues in 1H11 vs 65% of revenues in 1H10).
- UK pre-media business returned to consistent profitability.
- IPrint JV contribution increased.
- Net tangible assets per share increased by 16% to 56 cents.

KEY RESULTS

	1H11	1H10	Change
	\$m	\$m	%
Revenue	29.56	29.60	0
EBITDA	7.59	7.14	+6
EBIT	6.62	5.83	+14
Profit after tax from continuing operations	4.94	4.24	+16
Discontinued Operations / Minority Interest	0.47	0.10	Large
Statutory Net Profit for the period	5.41	4.34	+25
EPS – Continuing Operations (cents)	12.59	10.83	+16
EPS – Statutory (cents)	13.81	11.07	+25
DPS (cents)	7.5	6.0	+25
Franking (%)	100.0	100.0	
Return on net assets (%)	10.54	8.49	

FINANCIAL POSITION

	1H11	1H10	Change
	\$m	\$m	%
Net cash flows from operating activities	5.08	4.50	+13
Capital Expenditure	1.07	1.58	-32
Net Debt (Cash & Equivalents)	(9.16)	3.38	Large
Gearing (Net Debt: Equity) [%]	N/A	6.7	Large
Interest Cover [x]	N/A	20.0	Large
NTA Per Share (cents)	56.2	48.6	+16

STRATEGIC AND OPERATIONAL UPDATE

- Exited sheet fed and web printing, now pure digital media.
- Increased focus on development of Knowledgewell software suite.
- Further growth in corporate and retail sector client base.
- Keenes U.K. consistently profitable and new management understand Knowledgewell and its market and competitive advantage.
- Asia setup now complete – Courts & BBH.
- Opportunities in Asian region – workflows will provide large productivity increases.



BLUE CHIP CLIENT BASE



MARKET CONDITIONS & TRENDS

- Retailers continue to invest strongly in catalogues.
- Australian TFM revenues increasing (71% of revenues 1H11 vs 65% of revenues 1H10).
- Steady flow of customer activity, all geographic locations.
- Generally strong activity across corporations and retailers.
- Organic pre-media sales growth of 7% on prior period.

New Business

- Liquor Marketing Group – Australia.
- BBH – Singapore.
- AMP – New Zealand.
- Woolworths Hardware – Australia.
- Dick Smith Electronics – New Zealand.

New – Prospective

- Asian corporates, including retailers and telco's.
- UK Retailers.
- Asia / UK Ad Agencies.
- Australia / New Zealand corporations.

1H11 BUSINESS ANALYSIS BY REGION

	Pre Media A/Asia		Pre Media UK		Group Result		
	1H11	1H10	1H11	1H10	1H11	1H10 Ex Cadillac	1H10 Inc Cadillac
Segment Revenues	26,735	26,679	3,473	3,341	29,564	29,599	43,889
Segment Trading Result	6,324	6,550	488	(415)	6,812	6,100	6,611
Margin	23.7%	24.6%	14.1%	(12.4)%	23.0%	20.6%	15.1%
Joint Venture Income	595	565			595	565	565
Results from Operating Activities	6,919	7,115	488	(415)	7,407	6,665	7,176
Margin	25.9%	26.7%	14.1%	(12.4)%	25.1%	22.5%	16.4%
Unallocated & Restructure*					(784)	(838)	(838)
Net Interest Costs					99	(51)	(312)
Income Tax Expense					(1,787)	(1,533)	(1,589)
Minority / Discontinued Ops					477	-	(97)
Net Profit					5,412	4,243	4,340

*Restructure costs \$156k before tax in 1H10

PRE-MEDIA – AUSTRALASIA

	1H11	1H10	Change	
	\$m	\$m	%	
Revenue	26,735	26,679	0	<ul style="list-style-type: none"> • Total group revenues maintained notwithstanding strategic exit from Queensland sheet fed market. • Organic growth of 7%. • JV – Contributions increased. • Increased investment in software development. • Start up losses in Asia. • DSO from 51 days (Dec 09) to 49 days (Dec 10).
Segment Result	6,324	6,550	-4	
Margin %	23.7	24.6		
JV (iPrint)	595	565	+5	
Results from Operations	6,919	7,115	-3	
Margin %	25.9	26.7		
Staffing	262	233	+12	

PRE-MEDIA – UNITED KINGDOM

	1H11	1H10	Change	
	\$m	\$m	%	
Revenue	3,473	3,341	+4	<ul style="list-style-type: none"> • Organic sales growth of 4%. • Consistently profitable. • Management team now settled. • Knowledgewell now actively marketed. • Cost base complements current activity. • DSO from 56 (Dec 09) days to 37 days (Dec 10).
Segment Result	488	(415)	Large	
Margin %	14.1	(12.4)		
Staffing	45	49	-8	

BALANCE SHEET ANALYSIS

	Dec 10	JUN 10	Commentary
Current Assets			
Cash and Debtors	18,182	17,148	Working Capital Ratio – 3.0 (2010: 1.6), DSO 48 days (2010: 53 days).
Inventories	606	2,840	
Other	745	908	
Total Current Assets	19,533	20,896	
Non current Assets			
Investments	3,618	3,523	Reflects JV Retained profits. \$500k dividend paid November 10.
Intangibles	29,297	31,249	
Property Plant & Equipment	4,760	10,608	\$1m Capex – Expansion into Asia and new client win (LMG). Reduction due to disposal of Cadillac
Other	1,232	1,886	
Total Non Current Assets	38,907	47,266	
Total Assets	58,440	68,162	
Current Liabilities			
Creditors, Tax & Employee Provisions	6,401	11,004	Reduction due to disposal of Cadillac
Borrowings	41	1,338	Reduction due to disposal of Cadillac
Total Current Liabilities	6,442	12,342	
Non Current Liabilities			
Employee Provisions and Other	659	1,156	Reduction due to disposal of Cadillac
Borrowings	-	3,528	
Total Non Current Liabilities	659	4,684	
Total Liabilities	7,101	17,026	
Total Equity	51,339	51,136	

RESULTS FEATURES

- Sound organic revenue growth of 7% in volatile market driven by:
 - organic growth in TFM hub revenues
 - Asian expansion
- Australia operating result held notwithstanding investment in IT.
- UK pre-media business restructured. Turnaround of \$900K in operating result.
- Asia, on a trading basis lost approximately \$100K, profitable next year.
- Equity accounted iPrint business showed slight improvement in major client volumes and margins.
- Cash on hand of approximately \$10M.
- Net tangible assets per share increased by 16% to 56 cents.
- Dividend increased by 25%.

OUTLOOK

- Expectation of solid EPS growth for the year.
- Strong long term growth platform established through clear direction of TFM strategy.
- Further investment in Knowledgewell product suite.
- UK business now concentrating on client focused activity.
- Entrance into Asian marketplace through Wellcom Singapore and Wellcom Malaysia.
- Asian expansion.
- Strong financial position provides flexibility to pursue complementary acquisitions.



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