

ASX Release

28 July 2010

ComTel to focus on growing its digital media business

ComTel Corporation Ltd (ASX: CMO) has today completed the shift in its focus to performance-based digital marketing with the sale of its post paid and prepaid retail mobile businesses for a total of \$7.8m.

The decision to sell the mobile business supports ComTel's strategy to maximise the value of its mobile customer bases whilst repositioning the Company as an ASX listed exposure to performance-based digital assets. The sale agreements are subject to a number of conditions precedent including shareholder approval and the prepaid retail acquirer entering into a direct supply agreement with Vodafone Networks Pty Ltd. The Company has entered into loan and security agreements with the post paid purchaser for the provision of vendor financing.

Funds received from the sale will allow ComTel to actively pursue potential acquisition opportunities in line with its strategy, and continue to grow its existing digital business - Empowered Communications.

Overview of performance-based digital marketing

Performance-based digital marketing is a form of online advertising that focuses on customer acquisition and lead generation. Clients pay for targeted advertising campaigns that deliver results via a variety of digital mediums such as website banners, email, social media and SMS.

The performance-based industry has proven resilient throughout the GFC as advertisers required measurable results given reductions in budgets due to the market conditions. The segment is forecast to grow significantly over the next five years.

Empowered Communications

ComTel, through its Empowered Communications business unit, operates Australia's largest online permission-based marketing and research database of ~500,000 Australians. Members are sourced via a network of six loyalty websites (each site rewards members in exchange for receiving research or emailed offers). Detailed demographic data is collected from each of its members to enable advertisers to conduct highly targeted, performance-based campaigns.

Empowered is expected to earn revenues of \$7.3m in FY10 (12% growth on the prior corresponding period (PCP)) with \$3.2m of EBITDA before restructuring costs (28% growth on PCP). Results prior to the GFC saw the revenue grow by circa 35% in FY09.

Managing Director Chris Meehan said ComTel has demonstrated the expertise to manage and build profitable online businesses. "Our strategy is very clear - to build or buy digital assets that deliver results for Australia's leading brands and advertisers where we are rewarded for our performance."

FY10 EBITDA

The FY10 EBITDA for continuing operations (Empowered EBITDA less corporate expenses and before restructuring expenses) is \$1.5m (PCP \$0.4m). The FY10 EBITDA for continuing and discontinued operations before restructuring costs is \$4.8m. These results are based upon unaudited management accounts.

Extraordinary General Meeting

ComTel will announce in due course that it will hold an Extraordinary General Meeting to approve the following:

- the sale of the mobile businesses; and
- the change of name of the Company to Digital Performance Group Ltd to better reflect the organisation's core strategy and direction.

On the sale of the mobile businesses and change of the Company's name, ComTel's ASX ticker will change to 'DIG' and its ASX GICs Industry Group classification will change to 'Media'.

For further information

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