Workplace Health Solutions

KONEKT LIMITED

Annual General Meeting 2013
8 November 2013

CHAIRMAN AND CEO'S ADDRESS

Dear Shareholders,

Chairman's Address

Our Annual Report for 2013 laid out the Company's performance for the year. 2012-13 saw some significant market challenges and underperformance at Konekt Ltd in the first three quarters of the year, being partially overcome by a solid fourth quarter performance, where the strategies of the Company started to bear fruit. The Company produced revenue of $30.8m, approximately 7.1% less than the previous year. The profitability of the Company declined significantly with profit after tax declining to a loss of $184,000 from a profit of $610,000 for the prior year. The profit after tax in the final quarter of $334,000 contrasted with a loss after tax of $518,000 for the first three quarters.

Your Directors are focused on the next 3-5 year horizon, and guiding the company to realize its full potential.

We reiterate that Konekt must be #1 in Care – and in that regard we are seeing some improvement in our customers reporting that our quality is improved this year.

Konekt must focus on growing Injury Prevention. Our JobScreen product which provides an online medical screening survey has been positively received in the market and will produce future value for shareholders.

Our company is focused on having the right staff with the dedication and skill to be #1 in Care. Our year on year retention rate was significantly higher this year with more stability for our customers.

Last year we said we need to improve the financial performance of the business – we are in a low margin business, and returns are still not satisfactory. Our first 3 quarters were poor, but we reported to you a much improved last quarter.

Our Annual Report detailed much of the progress achieved last year, and I do not propose to further to comment on what was written there, - although I am happy to take questions from shareholders during agenda item 1 where shareholders receive and consider reports.

In all, there will be a number of sections of the meeting where shareholders may wish to ask appropriate questions or make comments.

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During 2010-11, Konekt introduced voluntary quarterly reporting. After much consideration and review we have decided to discontinue this practice and use the Half Yearly and Annual Reporting as the main vehicle of reporting to our stakeholders in line with most other listed companies.

The first three quarters of 2012-13 showed an operating loss largely due to lower Revenues. There were 2 key drivers of those:

Firstly, lower NSW Insurer/Agent Revenue following on from the reforms of the NSW Workers Compensation Scheme in June 2012, and

Secondly, a downturn in pre-employment testing volumes, particularly (but not exclusively) from Queensland based Coal operators and their suppliers.

We announced a significant win last year, Medibank Health Solutions (on behalf of the Australian Defence Force) and Macmahon Holdings, however the ramp up on this account did not fully compensate for the reduced business elsewhere. The Management team has a good sales pipeline, with further conversions likely this year, and is watching the Company's costs as these transitions take place.

Pre-employments in September 2013 remain lower than the prior year, although they are higher than the first 2 months of the year – indicating a small rebound.

Your Board has also turned its mind to growth. We are carefully evaluating opportunities to invest in step-change growth of the Company. These opportunities will be rigorously tested against strict financial and strategic criteria.

Following the profit achieved in the June quarter of 2013 your company has traded profitably in each of the first four months of this year aided by higher revenue than the prior year (mid to late single digit revenue increase) with costs being contained.

CEO's Address

In the Annual Results we announced that the Profit in the last quarter was not sufficient to make up for the losses in the first 3 quarters. Our Balance Sheet is in good shape with cash continuing to grow. We have seen a first quarter profit, and an emerging reasonable second quarter, we are building a stronger, more resilient and more focused company. The market is tough, but we are gaining strength.

Financial

In Financial terms, the 2013-14 year saw revenue fall, we have seen a rise into 2013-14.

The profitability of the company improved significantly in Q4 and Konekt made good inroads into lowering its fixed cost base, although those benefits have now fully flowed through.

Customer

We have stated previously that "Konekt's future business success will come from serving its customers well, delivering products they want, saving them money, and in our own goal terms, being #1 in Care'.

We are still not there yet, but I am pleased to report that Customer feedback has improved this year. We completed our inaugural customer survey which will allow independent year on year verification of our goals of moving to #1 in Care. The business mix moved 5 percentage points in favour of Corporate and Government revenue relative to Insurer and Agent revenue, ending the year at 57% Corporate and Government versus 43% Insurer, compared to the prior year of 53% and 47% respectively. The first 4 months this year have us at 60% in favour of Corporate and Government, reflecting a small decline in Insurer Agent Revenue offset by larger increase in spend from Corporates and Government.

Konekt continues to predict that with the flow through of NSW Workers Compensation changes a further reduction in business from Insurers in NSW in 2012-13 and beyond remains likely.

Doug mentioned the Sales pipeline in his address. We are pleased with the significant restructuring we have undertaken that our new Sales and Relationship focus is starting to gather steam. There is no doubt that there has been a delay in decisions in 1Q 2013-14 across both Government and Corporate – but that is now clearing.

Investment in Technology

In the Annual Report we discussed the use of Technology to further our business. We are continuing to invest here; our current investment is being directed into Product Enhancement, particularly a revamp of our new employer services.

Revenue growth is now required to achieve a higher earnings result on an ongoing basis. The first half should see a mid to late single digit rise in revenue versus the prior year. The second half is difficult to predict, particularly in the employment market, but we are hopeful that some of the planned projects in mining and construction kick-off to assist our growth.

Care

Being "#1 in Care" is our Mission.

Our #1 Priority is the quality of Care, Case Management and all the ancillary items required to achieve this. Our customers are reporting that our Care outcomes are improving. Our retention of staff improved significantly during the year and our attention to key items has been noted. Management remains focused on ensuring we are delivering on the mission.

Goals

Finally, we have set a Big Goal for the Company - Our Vision is that Konekt leads the way in Making Australian workplaces injury free by 2025. To do this we must achieve:

1) **#1 in Care –** measured by all of our stakeholders, we have improved this year

2) **Customer Focus** - Being the best at understanding and delivering Customer needs, our new CRM system is fully working for every customer, we are understanding them better.

3) **Demanded Products** - Meeting the market with needed and valuable product, the launch of JobScreen has been met with market congratulations – and our new Employer Services product has passed the 50% point of implementation.

4) **Trusted Advisor** To gain Consulting work, we must be a trusted advisor when Consulting to Customers. Our data is providing better insight – we can still do more.

5) **Strong Sales Culture** - Sales is the lifeblood of Konekt's success. We need to show even more revenue growth.

6) **Best People -** Konekt needs the best people to thrive. We are progressing on this.

The Leadership Team of the company has a plan to deliver on each of these items, and we look forward to reporting on the success of the initiatives to you.

Douglas Flynn
Chairman

Damian Banks
CEO