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Company Announcement
ASX Limited

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1H2012 TRADING UPDATE

(ASX: CUS): Customers Limited (Customers) has today provided an update on its current trading conditions and anticipated earnings for the 2012 financial year.

Based on the unaudited management accounts for the six months ended 31 December 2011, the Company expects:

- Total interim revenue of circa $64 million, compared with $62.8 million for 1H11, and
- Interim reported EBITDA of between $17.8 million and $18.4 million, compared with $23.7 million for 1H11, comprising circa $21.5 million for the core business and in the range of $3 million - $3.5 million loss on new revenue initiatives for 1H12.

The Convenience ATM business continues to be resilient. However, the Company's earnings for the half year have been impacted by the combination of continued significant investment in support of new revenue streams, delayed generation of revenue from the company's growth initiatives, one-off costs within the business and delayed delivery of targeted cost savings due to a high level of internal operational activity.

Convenience ATMs (core business)
The convenience ATM business will produce EBITDA for 1H12 in the order of $21.5 million, including $1.5 million of one-off costs.

Total transaction revenues for 1H12 were over 3% up on the equivalent period last year.

Total aggregate value transactions for the six months to December 2011, off a smaller ATM base, were around 5% below the equivalent period last year. As at 31 December 2011, the Company had 5,558 terminals in its convenience fleet as against 5,861 terminals as at 31 December 2010, primarily as a result of Customers exiting selected non-economic sites, a heightened focus on profitability in the procurement of new sites and transition of selected sites to the Bank of Queensland (BOQ) managed service agreement.

Encouragingly, monthly data produced by the Reserve Bank of Australia demonstrates that total foreign ATM withdrawal volumes nationally are growing as a percentage of total ATM transactions, evident particularly since mid 2011.

Offsetting the decline in transaction volumes was a 3.2% increase in gross margin per transaction.

$	1H2011	1H2012	% Change
Revenue per Transaction	2.06	2.23	8.2%
Rebates	0.51	0.63	23.5%
Gross Margin	1.55	1.60	3.2%

The decline in transactions compared with the previous corresponding period was credible given the poor retail climate, low consumer confidence and increase in prices.

During 1H12, the convenience ATM business experienced a number of one-off/abnormal costs which reduced EBITDA by around $1.5 million. These costs included:

- employee redundancies and related costs,
- professional fees for advice obtained with respect to a potential control transaction, and
- widescale one-off promotional activity.

Despite the one-off nature of these items, gaining efficiencies across the Company's cost base remains a fundamental priority for the Board and Management. To this end, the Company has embarked on a program designed to deliver ongoing cost savings throughout the business.

As flagged at the Company's most recent Annual General Meeting, due to the high level of operational activity during 1H12, these cost savings are not anticipated to benefit the business until 2013. The Company is targeting ongoing cost reductions in the order of $2 million - $3 million per annum, by improving efficiency across a range of key cost items.

Pleasingly, the core business continues to produce strong free cash flow, assisting the Company to maintain a conservative gearing ratio (senior debt) of well under 20% despite ongoing investment in significant new revenue initiatives.

New Revenue Streams

The Company remains confident that it will generate an acceptable long-term shareholder return from its new growth initiatives, New Zealand ATM Services (NZATM) and financial institutions/corporate outsourcing. The Company holds a unique competitive advantage in the Australasian marketplace that it is striving to fully maximise.

For 1H12, these initiatives are anticipated to derive a net EBITDA loss in the range of $3 million to $3.5 million (compared with a $1.3 million EBITDA loss in the corresponding period). The quantum of this loss is in part a result of the rollout of terminals for BOQ taking longer than anticipated to commence during the half, ongoing investment in other growth initiatives, and in the order of $0.5 million in additional costs over the prior period associated with NZATM.

NZATM

To date Customers has invested approximately $6 million in New Zealand, inclusive of ATM capex. It is expected that Customers will move to full ownership within 12 months, at a cost of a further $11 million, plus the capex associated with expansion of NZATM's fleet.

The NZATM fleet now numbers 500 and is expected to reach 800 by the end of the financial year.

Whilst the Company does not expect transaction volumes to ultimately reach the same level as those in Australia, its modelling demonstrates that volumes and thus profits will generate a healthy return on investment with a positive contribution to EBITDA expected from FY13.

Financial institutions/corporate outsourcing

The Company's financial institutions and corporate outsourcing contracts announced to date provide Customers with the opportunity to continue to grow its market share in the Australian ATM industry with a fee for service revenue model that diversifies its traditional transaction based model.

To date the Company has committed to spend in the order of $10 million - $12 million in capex on these agreements. Customers expects these agreements to offer, once fully rolled out, attractive rates of return and opportunities for future growth, with a positive contribution to EBITDA expected from FY13.

Moving into 2H12, the Company is pleased with the speed and progress of terminal rollouts for both BOQ and Coles Express managed service agreements.

Outlook

The current expectation of the Board is that full year reported EBITDA for the year ending 30 June 2012 will be between 13% and 17% below the reported EBITDA for the year ended 30 June 2011 of $44.2 million, assuming current trading conditions continue without deterioration.

The Company anticipates total depreciation and amortisation expense for the full year to be in the range of $23 million **-** $24 million, driven by the substantially increased fleet size inclusive of the outsourcing and NZATM initiatives. However, depreciation and amortisation attributable to the core business will reduce from the previous corresponding period.

Corporate activity

On 17 October 2011, Customers announced that it had held discussions with a potential purchaser which may or may not lead to an offer for the Company. While discussions in respect of a potential control transaction are continuing, they remain insufficiently advanced to warrant disclosure at this time. Should these discussions progress to a point where a transaction on acceptable terms to Customers is likely to eventuate, the Company will advise the market in accordance with its continuous disclosure obligations.

The indicative, non-binding proposal that Customers made for the acquisition of another business, which was noted in the Company's announcement on 17 October 2011, did not proceed. The Company continues to evaluate additional acquisition opportunities which will enhance long term shareholder value as they arise.

The Company expects to release its interim results for the six months ended 31 December 2011 on Tuesday 28 February 2012.

For further information, please contact:

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All numbers are preliminary and will ultimately be subject to audit.

This release includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Customers, and its officers, employees, agents or associate. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and Customers assumes no obligation to update such information.