



DataDot Technology Limited

ABN 54 091 908 726

Securities Exchange Announcement

7th August 2012

Improvement in Trading Performance in Second Half of FY2012

The Directors of DataDot Technology Limited (“DataDot”) (ASX:DDT) advise that the company traded profitably for the last 4 months of the financial year and generated positive cash flow for the last quarter. This is consistent with our prior advice to the ASX on 22 February 2012 where the Chairman stated that DataDot will “in the second half of this financial year, be profitable and the business will return to positive cash generation”.

During the second half of the financial year, DataDot has:

- increased revenue, realising a greater than \$400,000 increase over the first half of the year (\$3.7 million up from \$3.3 million) in what is still a very difficult market, particularly in Italy; and
- reduced costs, both through a reduction in head count and closure of underperforming activities with annual savings in excess of \$900,000.

These initiatives included non-recurring restructuring costs of \$270,000. Impairment of patents (where patents have been superseded or intentionally abandoned) accounted for a further non-recurring cost of \$195,000 taken to book this year.

The magnitude of the improved performance is indicated in the table below, which reconciles the first half-year result to the full year unaudited result. Net profit after tax (inclusive of an estimated research and development (R&D) tax incentive benefit of approximately \$500,000) improved by approximately \$1.2 million, from a loss of \$1.2 million in the first half of the financial year to an estimated profit of \$7,000 in the second half of the financial year excluding non-recurring items. DataDot acknowledges of course, that this is still a very disappointing result but the significant improvement shows that the company is taking steps to remediate the situation and improve performance.

(unaudited)

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| FY2012 Full Year loss before tax | (\$2,096,000) |
| Income tax benefit | \$ 442,000 (includes estimated R&D tax incentive benefit of \$500,000) |
| FY2012 full year loss after tax | (\$1,654,000) |
| 1st half FY2012 loss after tax | (\$1,196,000) |
| 2nd half FY2012 loss after tax | (\$ 458,000) |
| <i>Add back non-recurring items:</i> | |
| Restructuring expenses | \$ 270,000 |
| Impairment of superseded patents | \$ 195,000 |
| Pro-forma 2nd half loss after tax excluding non-recurring items | \$ 7,000 |



Having regard to the above, the statutory result on an unaudited basis is an estimated net loss after tax of \$1.65 million (loss of \$583,000 in FY 2011) from revenue of \$7.05 million (\$7.49 million in FY2011). This result includes \$500,000 from R&D tax incentives associated with R&D expenditure made during the 2012 financial year and a cash payment from the ATO is expected to be received later this calendar year.

At 30 June 2012 the company has working capital of \$3.1 million of which \$1.4 million is cash.

DataDot expects to release its results on or about 24 August 2012.

Outlook

Europe has been adversely impacted by the economic environment which has, in turn, impacted DataDot's returns from that market. All other continuing parts of the DataDot business improved during the second half of the financial year. We see those businesses continuing, after the usual pause during the Northern Hemisphere holiday period, to grow this financial year with new initiatives in copper and asset theft markets expected to bring in increasing sources of revenue later this calendar year. Great focus is also being given to growing revenues from the auto sector in high theft markets such as Latin America, Mexico, Indonesia, Malaysia and China through our distributor network. DataTraceDNA continues to be a strong growth contributor as we mature sales relationships from prior periods with new revenue from existing clients which have adopted the technology and from new clients.

Costs will continue to be reviewed and expenses closely controlled.

On the above basis, the company expects to see its financial performance continue to improve during FY2013. The speed of this improvement will be influenced to a large degree by economic conditions particularly in Europe.

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