

Data#3 Limited
2009 AGM - Chairman's Address
10th November 2009

Ladies and Gentlemen,

Welcome again to the company's corporate and Brisbane office for this 2009 Annual General Meeting of Data#3 Limited. This is the ninth year that the annual meeting has been held here.

The company's annual report issued with the notice of today's meeting presents the 2009 financial year results and the financial position as at 30th June 2009. This report reveals another excellent result demonstrating again the company's ability to sustain and improve financial performance, even in the face of very difficult global economic conditions. The payment of the full year dividend of 50 cents per share comes directly from this improvement in financial results. This result was achieved with significant improvement in contribution from our services and licensing businesses offsetting the impact of very difficult market conditions for our recruitment, contracting and volume hardware businesses.

Performance in key areas such as receivables collections, cash management and cost control continues to be first rate. Our balance sheet strengthened further with net assets increasing from \$21.3 million at 30 June 2008 to \$23.3 million at 30 June 2009.

Whilst today domestic economic conditions for the 2010 year look to be improving the global situation is far less certain. As a result our operating environment continues to be difficult to forecast. We are continuing to experience restraint in customer investment and higher levels of market competition and these are materialising as pressure on pricing and margins. However, we have a diversified business with much of our revenue under contract. Given this backdrop our objectives for the 2010 financial year remain to gain marketshare, continue to build sustainable profitability through appropriate investments and to improve on the record performance of 2009. The senior leadership team has built this year's plan to achieve those objectives on the foundations established last year with continuing focus on the three key areas that underpin our strategy – remarkable people, outstanding solutions and organisational excellence. Our Managing Director will cover this further in his address.

At the end of the first quarter we are on plan and our first half is expected to better last year's. Again John Grant will provide further details in his address.

The declaration of a final 2009 dividend of 30 cents per share is very pleasing for all concerned - shareholders, management and the board. Combined with the first half dividend of 20 cents this represents a total dividend of 50 cents per share for the 2009 financial year and distribution of 78% of available profits. Assuming business performance holds as I have indicated, we expect to continue the payment of dividends of this proportion or higher.

The policy of geographic and service expansion set out in 1997 when the company listed on the ASX remains. Offices in Adelaide and Perth, opened last year, and

expanded facilities in Brisbane, Sydney and Melbourne have all contributed to company growth. However the basic structure of the business continued during the year with national areas of specialisation operating through this expanded geographical presence.

The 2010 business plans incorporate a number of structural changes aimed at further focussing responsibility and driving growth and marketshare gain at better than average industry rates. We see growth as a vital key in a difficult market and while it continues to be predominantly organic, we expect market conditions to present situations that we may be able to take advantage of to enhance the company's results and financial position. John Grant will expand further in his address.

It has been pleasing in recent months to see share prices and particularly our own recover from the lows of earlier this year. The total return more fully reflects the operational performance and profitability of the company. Understandably, however, there continues to be a great deal of comment from investors on executive remuneration. Within Data^{#3}, as in previous years, targets to produce acceptable total returns to shareholders have been established and the management team's remuneration is structured in line with these targets.

The remuneration report which is included in the annual report will be put to the meeting for adoption. It is again desirable to expand on the commentary in the annual report and put executive remuneration in Data^{#3} into an appropriate context.

In setting targets and remuneration, we're very conscious of two things:

- Expense levels, and
- Attracting and retaining key people – they ultimately make the difference.

Clearly these two objectives can appear to be contradictory at times particularly given the competitive market for management, sales and technical expertise.

The key personnel in the annual report are those who drive our business and as has been commented on previously, they have done an excellent job over a long period.

As shareholders consider this year's remuneration report, I'd offer the following observations:

1. The increase in total executive remuneration over the 5 year period from 2005 to 2009 is 82%
2. The increase in NPAT over the same period is 135%
3. The percentage that executive remuneration is of NPAT dropped from 52% in 2005 to 40% in 2009
4. The variable or at risk component of total remuneration has remained at around 36% over the 5 year period
5. The share price has increased from \$2.05 at 30th June 2004 to \$6.00 at 30th June 2009; dividends over the 5 year period total \$1.79; and hence Total Shareholder Return over the 5 year period is around 280%.

As I said at the outset, remuneration needs to attract, reward and retain. We benchmark remuneration every year against industry benchmarks to ensure they are appropriate and the board believes that both the levels and structure of remuneration are in line with the market and appropriate to produce the results we

are targeting. We again have included profiles of the full senior leadership team in the annual report. In the current business environment the Employee Share Option Plan and the Deferred Share Incentive Plan approved by shareholders at the 2007 AGM have not yet been activated. We have also set the planned 2010 remuneration levels for all members of the senior leadership team at the same levels as 2009. I commend the remuneration report to the meeting for adoption.

As you know on 1st September 2006 the board commenced an on-market share buy-back with the dual aim of improving shareholder returns on a sustainable basis and reducing volatility in the company's share price. This program has been continued each year and was again renewed for a further 12 months from 1st September 2009. Since the commencement of the share buy-back program the company has purchased a total of 237,556 shares at a cost of \$1,285,327. In accordance with the requirements of the Corporations Act these shares have been cancelled. We believe that the buy-back program has contributed significantly to the resilience of the price of the shares against the overall market and has also resulted in reduced volatility. Subject to future profitability we intend to maintain the momentum by further improving dividend returns to shareholders.

There is an item for your consideration on today's agenda for my reappointment to the board. As many of you will know I joined the board in 1997 when the company's shares were publicly listed on the ASX. With your support I look forward to continuing to serve in this capacity.

I will now ask our Managing Director, John Grant, to the microphone to address operational aspects of the company's 2009 performance and the outlook for the current period. At the completion of his address I will invite your comments and questions regarding the annual report, the remuneration report and further information that we have released today.

Thank you for your continuing interest in the company and your attendance at this 2009 Annual General Meeting.

Richard Anderson
Chairman
Data#3 Limited

Data#3 Limited
2009 AGM - MD's Review of Operations
10th November 2009

Ladies and Gentlemen

Firstly let me share the Chairman's welcome to you. It's a pleasure once again to have our shareholders, key members of our management team and other friends of the company to our head office.

Let me start by briefly sharing with you our vision for the company.



The headline is quite simple - our vision is to be an exceptional company. By exceptional we mean one that unites to enable our customers' success through technology; inspires our people to do their best every day; and rewards investors' confidence and support. We believe we will have achieved this vision when over 90% of our key customers consistently tell us that our ICT solutions and expertise have empowered their success; when over 90% of our people consistently tell us they are inspired to do their best every day; and when returns to investors are consistently within the 90th percentile of that of like listed companies. As shareholders you will have a point of view as to whether we are on our way to achieving this vision.

What we do is focused on our customers' success.



Through 5 areas of specialisation, we help them apply software and hardware technology and people to achieve their business goals. Through Software Licensing and asset management we answer our customers' need to optimise and manage the acquisition of software in volume; through Product Solutions we offer our customers cost-effective procurement, supply chain and technology implementation solutions; through Integrated Solutions we help our customers design and deploy technology infrastructure for the data centre, network and desktop; through Managed Services we help our customers optimise the operation, maintenance and support of their ICT systems through outsourcing; and through People Solutions we help our customers recruit the appropriate IT people for their organisation.

These 5 areas have proven to be a resilient portfolio of offerings over recent years and together provide many of our customers with one place to shop.

By any measure 2009 was another outstanding year with several milestones:



- We performed very strongly against the tide of uncertainty and restraint to record spectacular revenue growth – a factor we regard as critical in maintaining the strongest market position possible
- It is almost poetic to say that in the year we broke the magic ½ billion in revenue we also achieved the ½ dollar in dividends
- In our annual surveys, 95% of our customers indicated we met or exceeded their expectations, and
- 93% of our people indicated they would recommend Data^{#3} as their preferred employer to others in the industry.

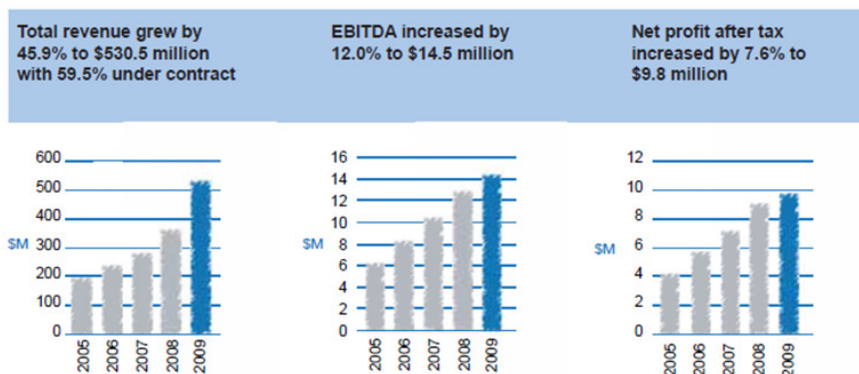
While slightly down on the previous year, these results were outstanding given the market difficulties and the pressures they brought on both our customers and our people.

We continued to be recognised by our vendor partners - by Microsoft as Partner of the Year in Australia and New Zealand for Software Licensing and Security and global partner of the year for security; by IBM with induction into their Hall of Fame; by VMware as Advantage+ Partner ; by Symantec as Symantec Specialist Partner of the Year; by Sophos as Partner of the Year; by HP as the top Desktop Partner for Asia Pacific; and very recently we have been once again voted by our peers as Enterprise Reseller of the Year in Australia in the CRN Industry Awards.

And we are well down the track on the investments necessary to refresh most of our internal operational systems in pursuit of greater efficiency and lower operational costs.

These milestones were topped off by another 'best ever' financial performance.

Strong organic growth continues



Revenue was up almost 46% to \$530 million with 59% under some form of term contract; the Microsoft software licensing contract with the Federal Government chipped in \$81 million of this but even taking this out, revenue still grew 24%; internal expense as % of gross margin rose as we increased investment in efficiency improvements and enhancing the expertise of our people with a particular focus on sales skills. As a consequence EBITDA and net profit rose at lower but still very healthy levels.

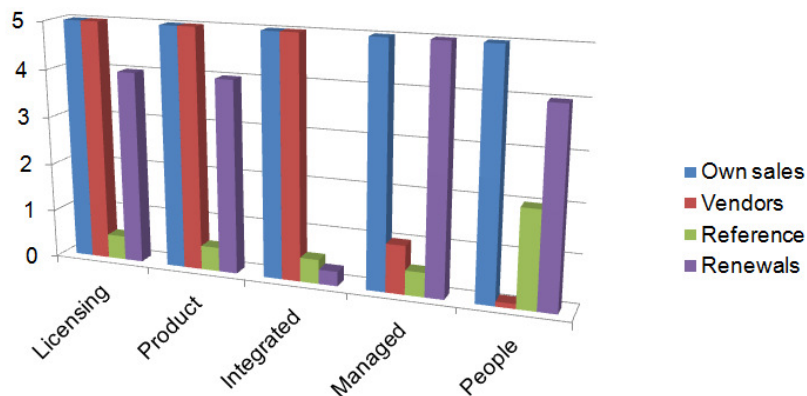
Given we've demonstrated a strong history of organic growth; I thought I might try to explain how we have achieved this in a little more detail. There are three contributing aspects to organic growth – selling to new customers, renewing existing contracts and selling more to existing customers.

How we drive organic growth

- Selling to new customers
- Renewing existing contracts
- Selling more to existing customers

In terms of new customers and renewals, in the slide, our areas of specialisation are along the bottom axis.

How we drive organic growth



In the legend on the right you can see the avenues by which we gain access to new customers – independently through our own sales team; in collaboration with our vendor partners; and by reference from existing customers. In terms of renewal of existing contracts you can also see this in the legend.

If we rate effectiveness of each of these avenues out of 5, using our own sales team is the most obvious and most effective as shown in the blue bars across all areas i.e. 5/5.

Collaboration with our vendors is equally strong in the Licensing, Product and Integrated Solutions but much less so in Managed Services and hardly at all in People Solutions.

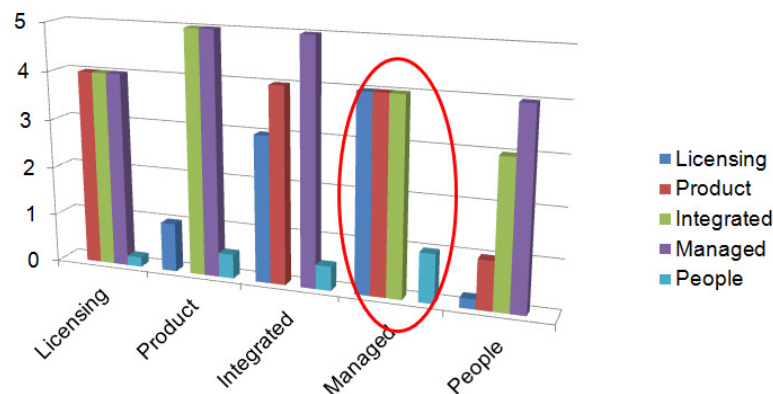
Gaining new business through referrals is far less significant across all businesses but using our customers as references in the process of gaining new customers is key.

And as you'd expect renewing existing contracts is very significant in all businesses other than Integrated Solutions which is almost entirely project based.

The value of this diversity in market access is lower risk of earnings impact as was amply seen this year with an overall excellent result even given a significant decline in contribution from the People Solutions business which was hardest hit by the financial crisis.

In terms of selling more to existing customers – commonly called cross-selling – this slide is meant to give you a feel of the relative opportunity that exists between our areas of specialisation.

The cross-sell opportunity



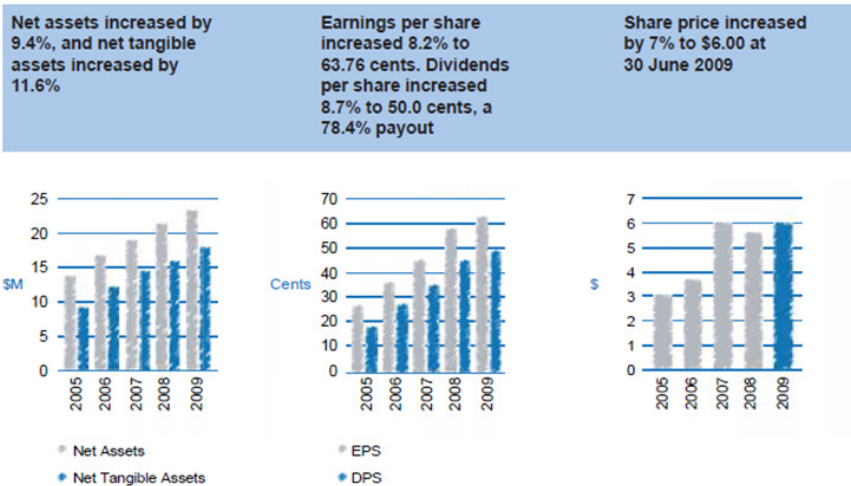
If we look at the opportunity for cross-selling our Licensing offerings into customers of other areas of the business, you can see we believe it is significant in our Product, Integrated and Managed Services customers at 4/5, but almost non-existent for our People Solutions customers.

Mapping this out for the rest of our businesses, you can see significant opportunity for our Managed Services (purple) and Integrated Solutions (green) offerings across almost all our customers. You can also see broad opportunity to offer a Managed Service to our Licensing, Product and Integrated Solutions customers – what the industry is calling 'cloud-delivered' service offerings.

I hope that worked and was helpful in giving you a little more insight into how we can sustain organic growth as our primary earnings driver. As an aside, you can also see why Managed Services is receiving an increasing share of our focus.

Getting back to financial performance –

Market performance strong

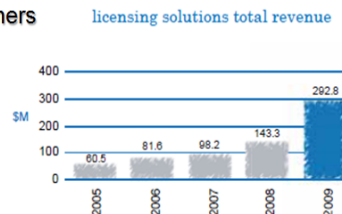


As Richard commented, net assets increased by 9.4%, net cash inflow from operations increased from \$8.4 million to \$19.6 million and the company continues to carry no debt; eps increased 8% to almost 64 cents and dividends increased to 50 cents representing a payout ratio of 78%. And the share price has performed well against the market topping our previous highest of \$8 in recent weeks.

Performance of our Licensing Solutions business was once again outstanding with revenue up 104% to \$293 million.

Licensing Solutions outstanding

- Revenue up 104% to \$292.8m
- Key wins in Federal Government and NSW Health
- Microsoft Large Account Reseller of the Year 5/8
- Other acknowledgements from our partners
- Added 350 new customers
- Leader in all regions

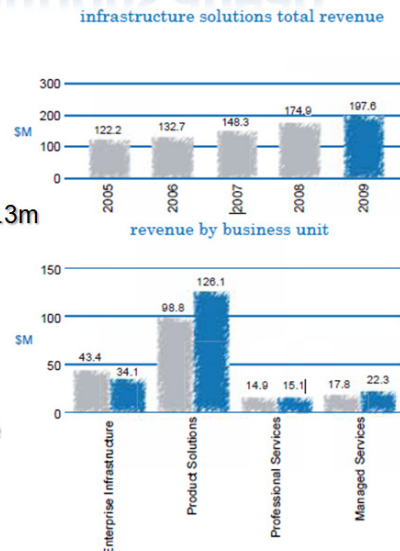


As I said earlier, \$81 million of this came from the Federal Government contract at very low margin and 75% or \$220 million was under contract. This business consolidated its position as the unquestioned leader in its field in Australia and the Pacific winning several national awards from its vendor partners. In particular Microsoft awarded our team the Large Account Reseller of the Year for the 5th time in 8 years.

Performance of our Infrastructure Solutions business was very strong against negative market growth with revenues increasing 13% to almost \$200 million of which \$62.5 million was under contract.

Infrastructure Solutions ahead of market

- Revenue up 13% to \$197.6m
 - enterprise \$34.1m
 - professional services \$15.1m
 - managed services up 25% to \$22.3m
 - product solutions \$126.1m
 - under contract up to \$62.5m
- Increase of 14% to group profit
- Inducted into IBM Hall of Fame
- Microsoft worldwide partner of the year for infrastructure security

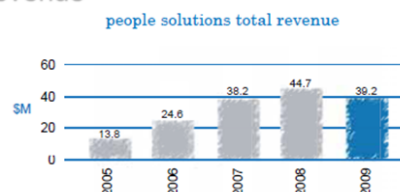


Our team also received acknowledgements from a number of its key partners, but of particular significance were our induction after a 30 year partnership into IBM's Hall of Fame - the first in Australia; and our recognition as Microsoft's global partner of the year for security solutions.

And finally our People Solutions business suffered most at the hands of the GFC with a decline in contribution to profit of \$1.5 million.

Tough market for People Solutions

- Revenue declined 12% to \$39.2m
- Contribution to profit declined by \$1.5m
- Second half stabilised
- Strong performance in Queensland with a solid base of contract revenue



This should in no way detract from the effort put in by our whole team under very difficult and wearing circumstances.

As I said at the outset 2009 was another outstanding year for the company – our best ever. However, it's fair to say that that is now well past and with conditions

remaining uncertain, our focus and presumably that of our shareholders' also, is clearly on the current year.

There are a number of indicators that suggest business sentiment is becoming increasingly positive.

Market conditions

- Increasingly positive sentiment
- Economic 'reset' – *'the new norm'*

However in 2010

- IT budgets restrained
- Customers seeking short term return
- Overall market conditions remain tight
- Industry consolidation to continue

However, having attended 2 global partner conferences for Microsoft and HP in recent months, the view being expressed by their CEOs is that the GFC has not been a correction but rather an 'economic reset' that has heralded 'the new norm'. In our mind there is no doubt that IT budgets for 2010 were cast in the uncertainty of 2009 and are restrained. This means overall market conditions supporting ICT investment will remain tight we believe for the full year which will impact cost of sale and margins negatively. With this pressure on profitability of industry players, we believe there will continue to be consolidation within the sector that will translate as opportunities for well funded and managed businesses like Data#3.

In its January 2009 survey of CIOs, Gartner determined the top 6 technology priorities.

Technology priorities

Technology priorities	Data#3 positioning
Business intelligence	Well positioned to provide supporting infrastructure – HP, IBM and Cisco
Enterprise applications	Well positioned to provide supporting infrastructure – HP and IBM
Virtualisation	'Sweet spot' with Microsoft and <u>VMWare</u> technologies
Legacy application modernisation	Not part of our offerings
Collaboration	'Sweet spot' with Microsoft and Cisco technologies
Networking, voice and data communications	'Sweet spot' with Cisco technologies

Gartner Jan 2009

They are business intelligence; enterprise application e.g. ERP and CRM; storage and data centre virtualisation; legacy application modernisation; collaboration technologies; and networking, voice and data communications. As you can see from the slide we're well to very well positioned to participate in 5 of those 6 areas.

As Richard commented, our objectives for this year remain to continue to win share in the market, to continue to build sustainable profitability through appropriate investment and to improve on the record performance of 2009.

Our objectives

- Gain marketshare
- Continue to build sustainable profitability
- Improve on 2009 financial performance
- Significant investment in operational systems
- Enhance customer offerings

We are undertaking significant investment in operational systems as I mentioned previously and we see this continuing through the year. We are also working hard on our offerings to 'package' them as much as is possible to reduce cost of sale and improve competitiveness. Having said that, year to date we have been successful in 68% of tenders submitted up from 53% in the full 2009 year.

Looking out to the half year, current forecasts show us on track to better the previous corresponding period's earnings.

the ½ year

- On track to better pcp
- Significant contract wins
- Significant project wins
- Revenue bias to 1st half
 - up approx 40% but lower in 2nd half
- Assumptions proving correct

We have recorded some significant wins already in this half. Some of these include new managed services contracts at McWilliams Wines, NAB Wholesale and NBNCo; appointment to the Victorian Government's procurement panels for personal computing systems and services; a whole of government contact with the South Australian Government for Microsoft licensed software; and major integrated technology projects with the Queensland Government for their hosted email and archiving solution.

We will also have a significant bias in revenue to the first half as the Federal Government licensing contract was billed in the current half compared to the second half last year. So shareholders should not be surprised by an increase in first half revenue of approximately 40% over the previous corresponding period followed by a relative decline in the second half. Earnings will not be affected materially by this bias. It's also worth noting that the assumptions we made that the market would remain tight are proving correct.

So from a shareholder's point of view, why will your investment in Data#3 continue to be amongst the sector's best?



As you've seen, Data#3 is a diversified business with numerous paths to winning new customers and significant cross-sell opportunity to existing customers. Also with almost 60% of revenue under some form of contract, we don't have to start fresh each year.

As we all have seen amply displayed in recent times, debt and credit crunches just don't mix. We have no debt and strong operating cash flows which continue to offer the greatest certainty in dividend payment streams and have facilitated our on-market share buy-back. The increasingly strong partnerships we have with our vendor partners and their need to fill the gaps that have started to appear in the market through recent business failures are providing us with increasing access to market opportunity.

While margins and profit may be under pressure, businesses that can grow the top line in a difficult market will be the best positioned to succeed even further as the market improves. We continue to do this.

And finally, the businesses that weather poor market conditions best are those that have a proven, experienced management team which we have with over 200 years of experience inside Data#3 and over 300 years in the ICT industry.



To close, in 2009 once again we had a terrific result both in financial and operational terms. Shareholders have been rewarded with strong dividends and solid improvement in the share price particularly in recent months. The management team and our people are to be congratulated for their commitment to the task under difficult circumstances.

Our objective remains to improve on the 2009 result in the current year and deliver dividends near the top of the sector. We expect to find opportunity in a tight but improving market and to end the year positioned strongly whatever the market brings.

John Grant
 Managing Director
 Data#3 Limited