

Data#3

2008 annual general meeting

12th november 2008

chairman
richard anderson

Ladies and Gentlemen,

Welcome to this 2008 Annual General Meeting of Data#3 Limited.

And welcome again to the company's Corporate and Brisbane Office. This is the eighth year that the annual meeting has been held here.

The company's annual report issued with the notice of today's meeting presents the 2008 financial year results and the financial position as at 30 June 2008. The report reveals another excellent result which again demonstrates the company's ability to sustain and improve financial performance. The payment of the full year dividend of 46 cents per share comes directly from this improvement in financial results. As was the case last year, this result was achieved through strong business performance across all the company's product and services offerings but led by 46% growth over the previous year in Software Licensing and Asset Management.

Performance in key areas such as receivables collections, cash management and cost control continues to be first rate. Again our balance sheet strengthened further with net assets increasing from \$19.1 million at 30 June 2007 to \$21.3 million at 30 June 2008.

The 2009 year presents us with the most significant change we have had in our operating environment for many years. I do not need to elaborate for you on the macro market conditions, but these will play into the ICT industry and into our business over the course of the year. We are expecting and are experiencing restraint in customer investment and higher levels of market competition and these are materialising as pressure on pricing and margins as we forecast in our Annual Report. However, we have a diversified business with much of our revenue under contract, and even given this backdrop, our objectives for the 2009 financial year remain to gain marketshare, continue to build sustainable profitability through appropriate investments and to improve on the record performance of 2008. The Senior Leadership Team has built this year's plan to achieve those objectives on the foundations established last year with deeper 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 2008 dividend of 28 cents per share is very pleasing for all concerned - shareholders, management and the Board. Combined with the first half dividend of 18 cents this represents a total dividend of 46 cents per share for the 2008 financial year and distribution of almost 79% of

available profits. Assuming business performance holds as I have indicated, we expect to continue the payment of dividends of this proportion or higher.

As I explained last year the policy of geographic and service expansion set out in 1997 when the company listed on the ASX remains in place and we were delighted to open new offices in Adelaide and Perth and expand our facilities in Brisbane, Sydney and Melbourne in the course of the year. The basic structure of the business has been further tuned this year with three national areas of specialisation operating through this expanded geographical presence. The 2009 Business Plans incorporate a small 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 we see it being 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 will expand further in his address.

With the obvious decline in share prices and hence wealth, understandably there has been 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. I thought it appropriate 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 2004 to 2008 is 77%

2. The increase in NPAT over the same period is 167%
3. The percentage that executive remuneration is of NPAT dropped from 69% in 2004 to 46% in 2008
4. The variable or at risk component of total remuneration has remained almost unchanged at around 36% over the 5 year period
5. The share price has increased from \$1.00 at 30th June 2003 to \$5.60 at 30th June 2008; dividends over the 5 year period total \$1.445; and hence TSR over the 5 year period is around 600%.

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. This year you will also have noticed that we have included profiles of the full senior leadership team in the Annual Report. In the light of investor concern in the area of share and option plans, the Board has made a decision to delay the implementation of the Employee Share Option Plan and the Deferred Share Incentive Plan approved by shareholders at last year's AGM at least until after the first half. I commend the report to the meeting for adoption.

In the 2008 financial year the company's market share price at June 30th had slipped only 6.7% from that of a year earlier – finishing at \$5.60 against \$6.00. Since this time the share price has slipped further but performed well against the market finishing yesterday at \$4.80. 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 on-market program was extended for a further twelve months from 1st September 2007 and for a further 12 months from 1st September 2008. Since the commencement of the share buy-back program, the company has purchased a total of 226,556 shares at a cost of \$1,235,527. 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 are resolutions today for the reappointment to the board of both Terry Powell and Ian Johnston. Terry is well known to you as the founder of the business; the father of Data^{#3}. His value to the company is as great today as it has ever been. Ian Johnston was appointed to the board following last year's AGM. He has made a very strong contribution in his first year as a member of the board. The directors unanimously recommend their re-election.

I will now ask our Managing Director, Mr John Grant, to the microphone to address operational aspects of the company's 2008 performance and the outlook for the current period. In doing so, I'm very pleased to acknowledge his recent induction to the ICT Industry Hall of Fame at the Australian Reseller News IT Industry Awards. The Hall of Fame has been established to recognise individuals who have done outstanding work over a long period of time and inductees are chosen by their peers across the industry. 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 2008 Annual General Meeting.

Richard Anderson
Chairman
Data[#]3 Limited