Data#3 Limited
2011 AGM - Chairman's Address
8th November 2011

Ladies and gentlemen,

Welcome to the 2011 Annual General Meeting of Data#3 Limited being held this year for the first time in the company's new Brisbane corporate office at 67 High Street Toowong.

The annual report issued with the notice of today's meeting presents the 2011 financial year results and the financial position as at 30th June 2011. In the face of on-going difficult economic conditions the exceptional increases in results at all levels are testament to the team efforts of the company's management and staff, with the payment of the full year dividend of 77 cents per share coming directly from these improvements in financial results. The company's Managing Director, John Grant will discuss the operating result in more detail shortly.

Performance in key areas of receivables collections, cash management and cost control continues to be first rate. Our balance sheet strengthened further with net assets increasing from $26.1 million at 30 June 2010 to $30.2 million at 30 June 2011.

As was the case last year both domestic economic conditions and the global situation remain uncertain. As a result our operating environment continues to be difficult to forecast. Customers are delaying capital expenditure decisions in both hardware and projects and we continue to see high levels of market competition.

The payment of a total dividend of 77 cents per share for FY11 was an increase of 37.5% over the previous year, and distributed 79% of available profits to shareholders. Based on our expectation of results continuing at similar levels we also expect to continue the payment of dividends at these same rates.

Given this backdrop, our objectives for the 2012 financial year are to continue to gain market share, to build sustainable profitability and to improve on the record performance of 2011. The senior leadership team has built this year's plan to achieve those objectives with continuing focus on the three key areas that underpin our strategy – remarkable people, outstanding solutions and organisational excellence. As John will explain, to maintain leadership we must invest and this year's plan includes higher levels of investment, as foreshadowed in the annual report.

The basic structure of the business is unchanged with national areas of specialisation operating geographically in Brisbane, Sydney, Melbourne, Adelaide and Perth supported by distribution centres in Brisbane, Sydney and Melbourne.

As I have already said we see growth as vital in a difficult market and whilst it continues to be predominantly organic we expect conditions to continue to present opportunities to enhance the company's results and financial position.

It has been pleasing to see the strong share price performance over the past year and the total shareholder return reflects the sustained performance and profitability of the company.

Significant investor scrutiny of executive remuneration continues.

The remuneration report which is included in the annual report will be put to the meeting for adoption. 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. I am sure that shareholders know that remuneration needs to be set to attract, reward and retain. We are very conscious of the balance that must exist between expense levels and attracting and retaining key people – they ultimately make the difference. With the company's on-going success our management and staff are regularly targeted in the IT employment market.

We measure remuneration every year against industry benchmarks to ensure it is set competitively 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.

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.

I commend the remuneration report to the meeting for adoption.

The third item for your consideration on today's agenda is the reappointment to the board of Ian Johnston. Ian was first appointed a director in November 2007 and was re-elected at the 2008 annual general meeting. His extensive knowledge and experience in treasury, corporate banking and equity capital markets and in business generally is extremely valuable to Data#3 and his re-election has the unanimous support of his fellow directors.

The fourth item today proposes that the company's ordinary shares be split on the basis that every one ordinary share be divided into ten fully paid ordinary shares. With 15,397,495 shares currently on issue the company is in the lowest quartile of all ASX-listed companies based on number of issued shares. The proposed split is intended to benefit shareholders by increasing the liquidity of the company's shares and increasing affordability to retail investors.

If the resolution is approved each existing ordinary share will be divided into ten ordinary shares with effect from 7:00pm on 16 November 2011. Assuming that no further shares are issued between now and that date the total number of issued shares will increase from 15,397,495 to 153,974,950 and each shareholder will still hold the same proportion of the company's total number of shares as held immediately before the split.

Further information regarding the proposal is included in the explanatory notes accompanying the notice of today's meeting. The directors unanimously recommend that shareholders vote in favour of the share split. I intend to vote undirected proxies in favour of this resolution.

The final resolution today proposes that the maximum aggregate sum available for payment as fees to non-executive directors be increased by $150,000 to $500,000. The current amount of $350,000 was approved at the annual general meeting in 2002. Since then the size, geographic spread and complexity of the company's business has increased significantly with consequent increase in the workload and responsibilities of directors. The proposal will accommodate an increase in the number of suitably qualified, skilled and experienced non-executive directors and I will be announcing the appointment of a further non-executive director subsequent to the close of today's meeting.

I will now ask our Managing Director, John Grant, to the microphone to address operational aspects of the company's 2011 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 2011 Annual General Meeting.

Richard Anderson
Chairman
Data#3 Limited

Data#3 Limited
2011 AGM - MD's Review of Operations
8th November 2011

Ladies and gentlemen,

Firstly let me share the Chairman's welcome to you. It's a pleasure once again to be able to formally address our shareholders and other friends of the company and for the first time in our new Toowong premises.

Before I get into the detail of my address, let me spend a few moments describing what we have created both here and in other locations.

We've moved into these premises after spending 10 years just around the corner as many of you will remember.

Our objective in the design was to accommodate how we are working now but more importantly how we will work in the future. Over time, we see the majority of our people less defined by the space at which they work and more defined by the type of work they do. And given we do different work at different times during the day, ideally different types of spaces will be available to do so. For this to be achieved, the technology we use needs to support mobility – the ability to move seamlessly from space to space as any day progresses. This is what we've created. So we have many types of spaces:

- This large conference facility and adjacent Boardwalk Cafe and community meeting space with all the bells and whistles you'd expect
- A board room
- Large and small meeting rooms
- Quiet rooms for 1 – 3 people
- Customer presentation areas including our solution centre
- Workstations offering 'normal' spaces and
- Collaboration and drop in spaces more frequently called 'hot desks'
- Utility and kitchen spaces that reduce the impact of the noise associated with printing and the like on the general office, and
- Quick chat spaces with the appropriate degree of privacy.

And as you may also have noticed, we've used colours and low profile workstations so that there is a feel of continuity and openness with glass all around so almost everywhere is awash with natural light.

And last but certainly not least, our 'green wall' profiled on the cover of this year's annual report brings the outside inside and represents the growth and continuing renewal of our business.

Supporting this we have implemented technology that allows us to connect wherever we are and whenever we want to including:

- Wireless networking
- Connectivity to each other's desktop, laptop or tablet computers and our smartphones
- Videoconferencing throughout this and our other offices and

- Follow me printing so that we can print from any printer in the building simply by swiping our security cards.

All in all we have an environment that provides for changes in working styles, collaboration within this office and across our own interstate offices and those of our partners and customers and considerable room for expansion with little additional cost.

We have taken additional space and completed similar refurbishment in our North Sydney office in the current financial year using the template from Toowong, and we are just commencing similar work on our Melbourne office.

In addition to the investment we've made in our offices, in 2011 we relocated our warehouse and integration centres in Sydney and Melbourne into new, best in class facilities. These increase the capacity of our Product Solutions business for third party logistic services, integration, build and imaging of computing equipment and services by up to three times.

In total we've invested close to $6 million on new premises which is being amortised over the lease periods. This is one of the prices that comes with the strong growth we've achieved in recent years. While it means we'll take a bit of a hit to the P&L early on, we will get it back in later years.

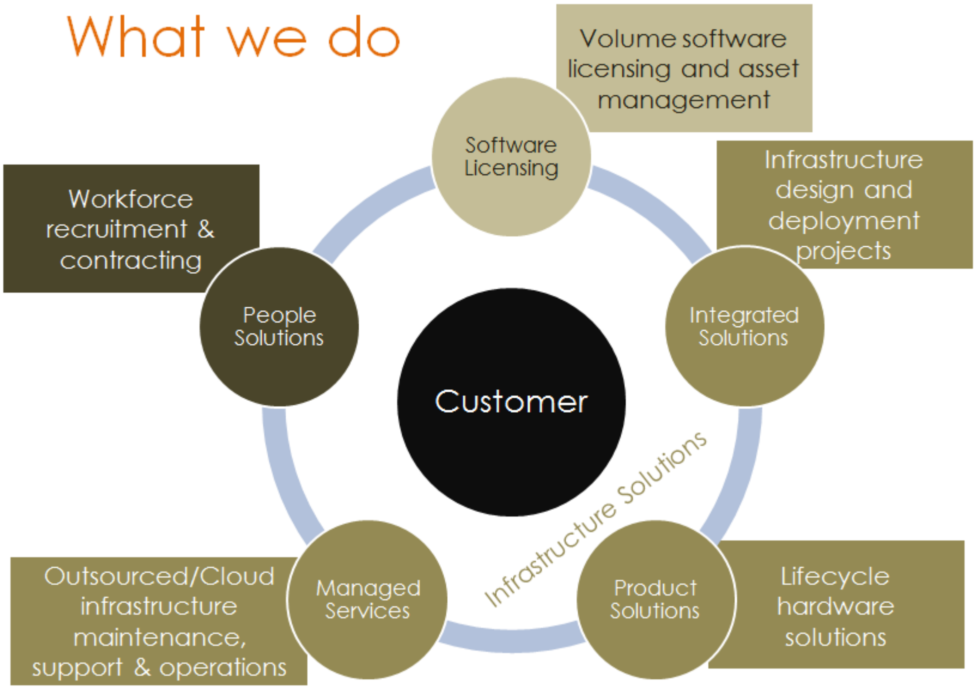
And we have offices and facilities that are loved by our people and the envy of many of our partners and competitors – all 'grist to the mill' in the great competition for people and customers.

Our Vision

....to be an exceptional company

Our vision remains 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. Our values guide the way we behave:

- Honesty & integrity
- Respect & trust
- Collaboration & teamwork
- Excellence, agility & innovation
- Taking responsibility & going the extra mile.



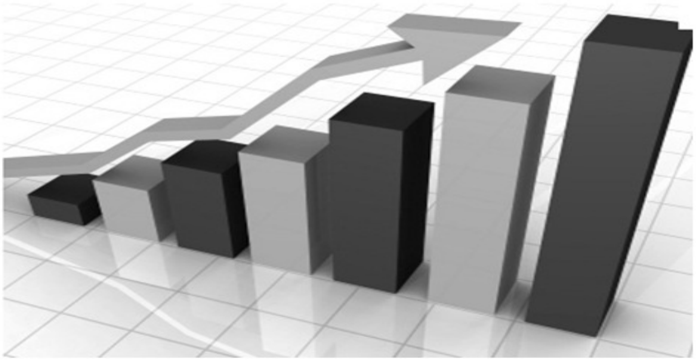
What we do remains focused on our customers' success.

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' needs to optimise and manage the acquisition of software in volume;
- through Integrated Solutions we help our customers design and deploy technology infrastructure for the data centre, network and desktop;
- through Product Solutions we offer our customers lifecycle hardware solutions including cost-effective procurement, warehousing, implementation and disposal;
- 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.

2011

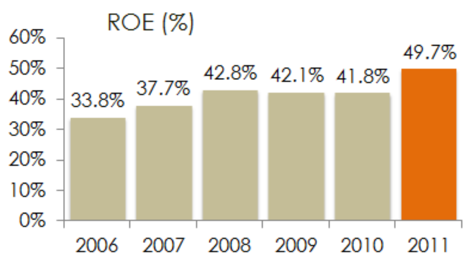


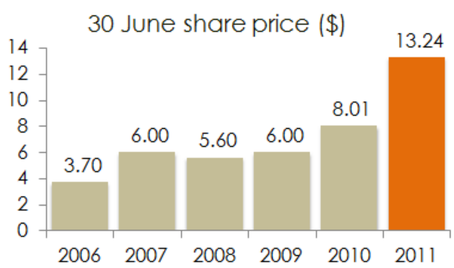
By any measure 2011 was an outstanding year.

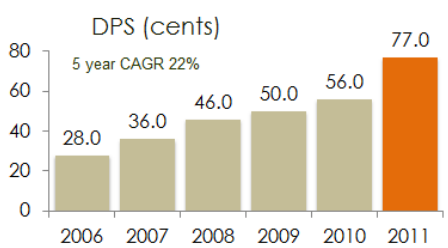
As anticipated in our 2010 annual report, market conditions throughout 2011 saw restraint and consolidation in public sector expenditure offset by more buoyant conditions in the private sector and upward pressure on labour and occupancy costs in the second half particularly.

With this backdrop there were a number of highlights worth noting:

Delivered TSR of 75%

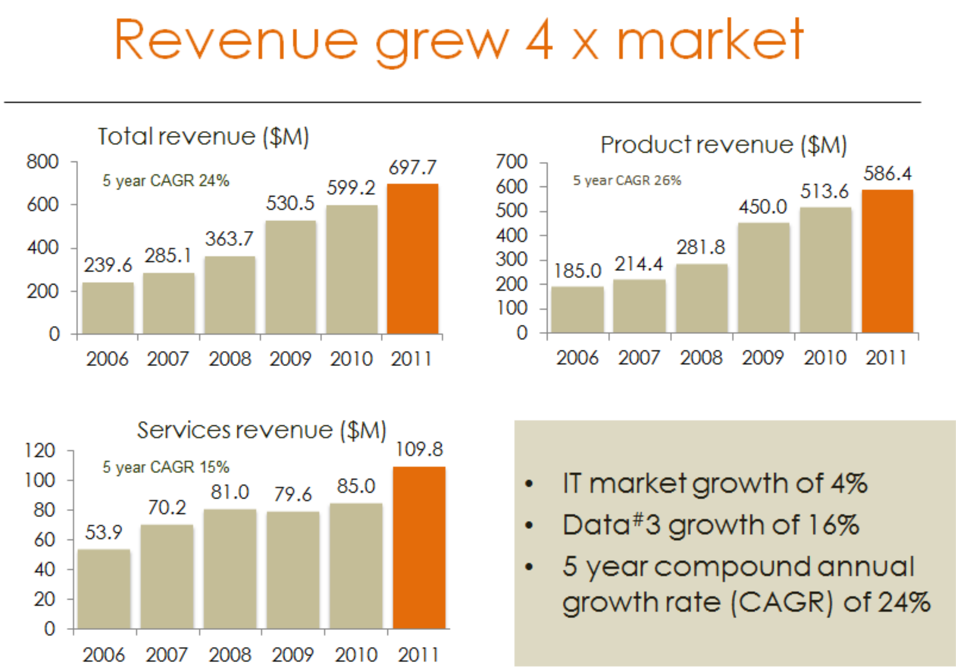






- Sector leading ROE
- TSR 75%
- 79% payout ratio

On the financial front we were delighted with the results. I'm not going to dwell on them as you would most likely be well aware of them. But as shareholders, return on equity of almost 50%, share price gain of 65% and dividends of 77 cps up 37.5% representing total shareholder returns of 75% for the year were exceptional.



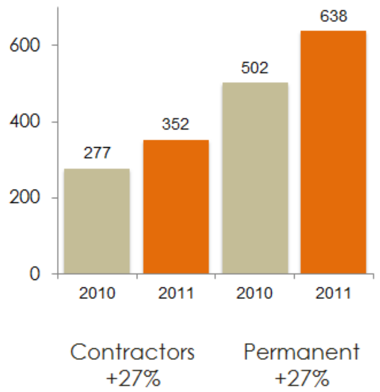
However I'd also suggest to shareholders that our top line growth – total revenues up 16% to $698 million with product revenues up 14% and services revenues up 29% - in a market that grew at about 4%, indicated once again our ability to gain market share and was the main driver of the strong shareholder returns.

All businesses and regions grew over the previous year with revenues for New South Wales and the ACT for the first time surpassing those from Queensland. I should note that it does not follow that contribution to profit paralleled this.

Cash flow from operating activities was strong once again with the average cash balance at $32.5 million, up from $19.1 million in the previous year.

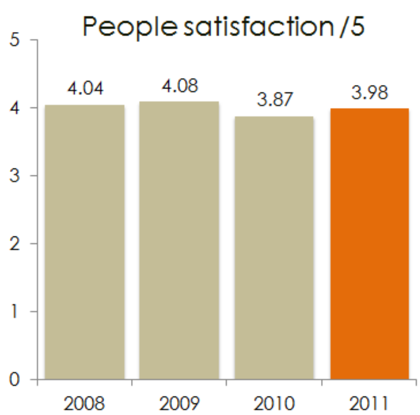
People and expertise up

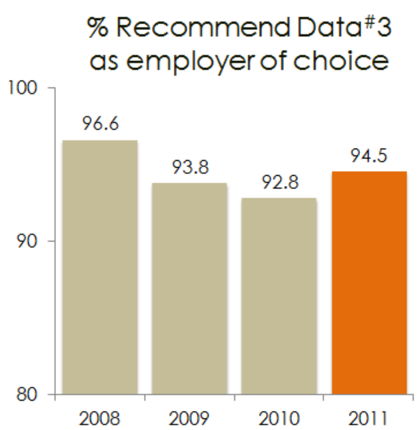
638 permanent
42 casual
352 contractors
>1,000 people



The number of people in the company grew by 27% in the year ending at over 1000 – a milestone - with 638 permanent, 42 casual and 352 contractors in our People Solutions business.

People satisfaction up





They continue to be highly engaged and satisfied with their roles and the contribution they make. Satisfaction levels returned to our benchmark target of 4.0 in our annual survey and the percentage that would recommend Data#3 to others in the industry increased over the previous year.

Customer satisfaction up

While conditions improved for many of our customers, they remained under considerable pressure to do more with less. Pleasingly overall customer satisfaction levels improved, once again exceeding our benchmark score of 4.0.
93.4% indicated their expectations were either met or exceeded and 81.2% indicated their expectations were exceeded - both improving on the previous year.

Acknowledged by our partners

Premier Business Partner

HP Services Leading Attach Award

HP Technology Solutions Services Contracts Award

vmware PARTNER PREMIER SOLUTION PROVIDER

VMware ANZ Partner of the Year

Microsoft GOLD CERTIFIED Partner

Microsoft Desktop Partner of the Year

Microsoft Large Account Reseller of the Year

Microsoft Server Platform of the Year

Finalist Microsoft Systems management Partner of the Year

IBM Premier Business Partner

IBM Storage Business Partner of the Year

IBM Reseller of the Year

IBM System X Partner of the Year

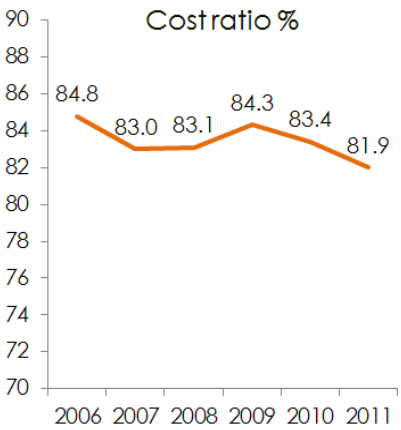
SOPHOS

Sophos Large Account Reseller of the Year

Our partners continued to indicate their support with numerous awards received during the year from Microsoft, HP, IBM, VMWare, Trend Micro, Sophos and McAfee. We also increased levels of investment in Symantec and Cisco with the intent of building services capability based on their technologies.

Once again we completed an excellent year as leaders in the industry.

Improved productivity

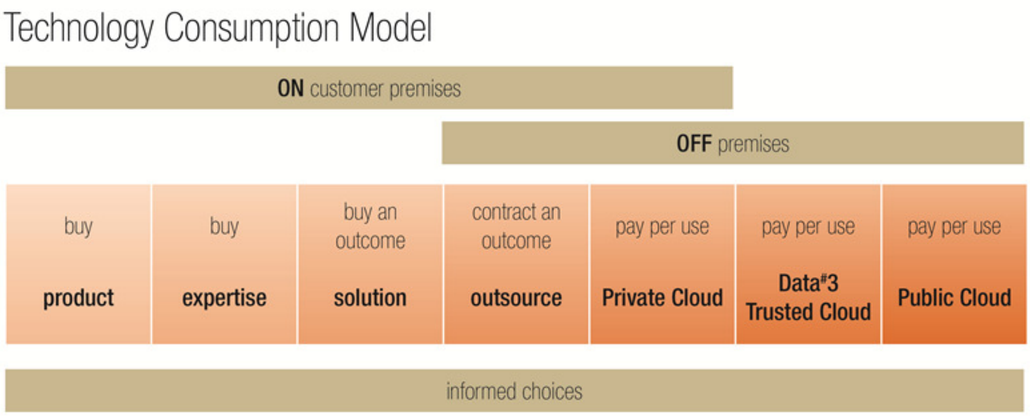


- Internal cost ratio [internal staff & operating expenses as % of gross margin] improved from 83.4% to 81.9%
- Staffing investment up 21%
- Rent up 23%
- Internal systems investment up 12% on previous corresponding period

With the strong top line growth and the lower cost structure particularly in the first half, our cost ratio (internal measure of productivity, being internal staff & operating expenses as % of gross margin $) improved from 83.4% to 81.9%. This occurred despite the continuing program of reinvestment.

People costs were up 21%, rent up 23% and internal systems investment up 12% delivering a new system for time costing and project billing in our professional services businesses, new electronic data interchange (EDI) systems for supplier purchasing and receipting, preliminary work associated with our proposed new customer portal, two new office relocations in Perth and Brisbane and two new warehousing and configuration centres in Sydney and Melbourne.

Informed choices for customers



A significant area of investment and endeavour in the last year and continuing into 2012 was to further develop and expand the solutions we offer across what we are describing as the technology consumption model – consumption from one-time purchase to pay-per-use on or off customer premises.

In simple terms we see our opportunity and responsibility as continuing to provide our customers with informed choices in the way they can consume technology. Our unique expression for this is our Technology Consumption Model which defines seven ways our customers can consume technology from Data#3. Starting from the left, the first four are well established:

- Buying hardware and software product where price, quality, availability and supply chain capability are key criteria
- Buying expertise where price, quality and availability are key criteria
- Buying an outcome via a solution where expertise, track record, and the ability to deliver on time and on budget are key criteria.

In these first three consumption modes, the customer pays for and owns the products and services which are normally deployed on the customers' premises, and takes responsibility for the outcome.

- The fourth consumption mode is to contract an outcome – commonly called outsourcing - where proven capability, industry standard methodologies, flexibility, and ease of doing business are the key criteria and where, under the contract, the partner takes ongoing responsibility for delivering the outcome.

The final three are new and come as a result of the emerging reality of the cloud. All are 'pay per use' based and predominantly deployed from data centres off customer premises:

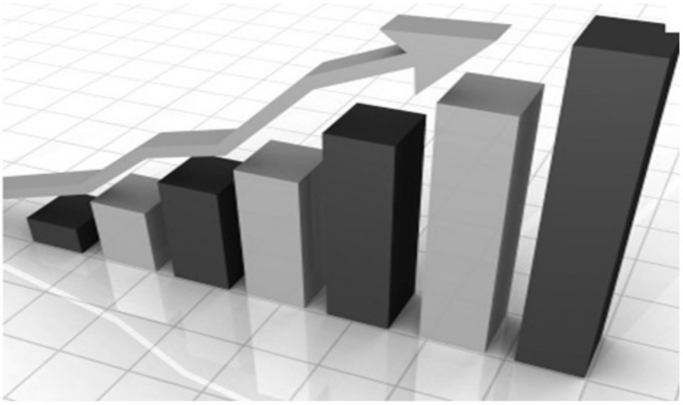
- Private Cloud trades off some of the benefits of cloud computing against the need for the highest level of control, security, and accountability. Customers consuming technology via their own private cloud understand their service costs and are able to compare these with other service options. We see this emerging as the preferred model for our larger customers

- To provide flexible and tailored cloud services from a trusted Australian provider, we have invested in developing our own Trusted Cloud for Software and Infrastructure as a service deployed from leased space in premium data centres ultimately around Australia. We see this particularly relevant to the mid-sized organisation
- Where there is a reduced need for control and flexibility and the lowest possible cost out-of-the-box, customers will consume services from the Public Cloud. In its simplest form, an example of the public cloud at work is Apple's App Store for smartphones and pads. A more enterprise oriented form is service from SalesForce for its CRM software.

SOLUTIONS	Product	Expertise	Solution	Outsource	Private Cloud	Trusted Cloud	Public Cloud
Software Licensing	●	●	●	●	●	●	●
Hardware Procurement	●	●	●	●	●		
Hardware Maintenance	●	●	●	●	●		
Workforce Recruitment & HR Solutions	●	●	●	●			
Asset Management	●	●	●	●			
Strategic Consulting		●					
Datacentre Virtualisation	●	●	●	●	●	●	
Network Platforms	●	●	●				
Systems Management	●	●	●				
Identity, Security and Protection	●	●	●				
Disaster Recovery	●	●	●				
Enterprise Productivity		●	●				
Outsourcing				●			
Desktop and Mobile	●	●	●	●			
Mail and Collaboration	●	●	●	●	●	●	●
Workforce Productivity		●	●				

This integrated view of technology consumption is a key point of market differentiation and our ability to provide informed choices for customers across the full Technology Consumption Model for all of our solutions uniquely positions us to continue to grow our business in 2012 and beyond.

2012



And so to the current financial year - to maintain leadership we know we need to continue to invest – in recruiting and developing the right people; in offerings for customers across the full consumption model; in strengthening our partnerships in all regions to provide market access; and in continuing to drive greater efficiencies and productivity inside our business.

In setting our budgets for the current year we were mindful of two things – firstly the uncertainty being created in the market by global financial issues and the political situation in Australia and secondly, some Data#3 specific factors including:

- The very strong FY 2011 first half in which timing changes in contract billings predominantly within Data#3's Licensing Solutions business and the lower cost structure of the company had reversed the profit skew to the second half in previous years
- Higher levels of investment and their associated costs as foreshadowed in both this year's annual report and in investor briefings, and
- Our objective to improve on the performance of 2011.

The market uncertainty I referred to is causing some customers to defer capital expenditure for hardware product and others to delay strategic transformational decisions and their associated IT projects. This is impacting on growth of our Product and Integrated Solutions businesses. Offsetting this, sentiment toward and hence growth of our Software Licensing, Managed Services and People Solutions businesses remains positive.

Taking into account preliminary October numbers and forecasts for November and December, we're expecting relatively strong growth in revenues which is very pleasing and again indicative of our continuing ability to win market share. Having said that, margins have been lower in hardware and software sales and our Professional Services business is experiencing a relatively flat period.

This combined with the foreshadowed higher levels of investment is likely to see first half profit not materially different from the exceptionally high previous corresponding period. On balance, we see this as a very good outcome and ahead of the long run trend of recent years.

However, this aside, the investment initiatives and their associated cost structures in our product and professional services businesses are higher than they need to be unless we can see a more positive outlook emerge from our customers and the market more broadly.

In the interim, we're driving our sales activities hard to get the best possible outcome in the first half and will advise shareholders should things change materially between now and then.

Overall the business remains very well positioned in its market with great people and great relationships with customers and suppliers. Cash flow remains strong and the balance sheet is in good shape.

In addition we are highly regarded by our peers having been voted the National Enterprise Reseller of the Year for the fifth consecutive year.

Strong tender flow

	Full Year 2009	Full Year 2010	Full Year 2011	YTD Oct 2012
Submitted bids	336	357	345	147
Decided bids	235	271	238	32
Won	107	126	119	18
% won	46%	46%	50%	56%

And to put another perspective on the market, this slide shows tender statistics for the previous 3 full years and this year to October. The bottom line is the number of bids remains as good as if not better than previous years and our success rate at 56% continues to improve. However it is relevant to note that of the 147 tenders so far this year only 32 have been decided leaving an unusually high number undecided – 115 in fact.
This could be another indicator of the uncertainty many are feeling. How this situation plays out clearly feeds into our outlook.

So as I hand back to Richard, we had a very strong result in 2011 with dividends up 37.5% on the previous year and total shareholder returns over the year of 75%. Our outlook for the current half looks solid particularly when the market uncertainty and our own reinvestment strategies are taken into account and we remain as well positioned as any to prosper in whatever market we find.

To close and as I said in the annual report, my thanks once again go to all our stakeholders. There are many pieces to the Data#3 corporate mosaic:

- the Data#3 team across Australia which continues to operate to the very highest standards, achieving superior results for our customers and finding passion and purpose in a career at Data#3;
- our customers who continue to invest in our ability to deliver ICT solutions that allow them to realise their business goals;
- our partners whose commitment to us is demonstrated in our long-standing, mutually valued association with them and whose market-leading technologies offer us a first class foundation to create business solutions for our customers;
- and of course our shareholders, whose continued support has been well rewarded with market-leading returns.

Thank you.

John Grant
Managing Director
Data#3 Limited