Data#3 Limited
2012 AGM - Chairman's Address
8th November 2012

Ladies and gentlemen,

Welcome to the 2012 Annual General Meeting of Data#3 Limited again being held in the company's Brisbane corporate office at 67 High Street Toowong.

The annual report issued with the notice of today's meeting presents the 2012 financial year results and the financial position as at 30 June 2012.

The 2012 financial year saw continued difficult economic conditions that have now been with us for far longer than ever previously experienced by the company. Even in this context, the 2012 results are second only to the previous year. This performance was only possible given the dedication and team efforts of the company's management and staff.

Data#3 paid fully franked total dividends of 7.0 cents per share for the 2012 financial year, representing a pay-out ratio of around 79% of available profits. Depending on results, we expect to continue the payment of dividends at a similar pay-out ratio in the current year.

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 $30.2 million at 30 June 2011 to $32.5 million at 30 June 2012.

As shown in the annual report, the company continues to operate essentially debt-free. However since balance date a short term fluctuating facility has been arranged in conjunction with a major contract won by the company in Western Australia. This facility is expected to be fully repaid by May 2013 and will vary throughout its term in keeping with the requirements of the contracted timing of delivery of products and services. This is a major win for the company particularly in Western Australia with input nationally and will contribute significantly to the 2013 financial year's results.

As I am sure you will agree we continue to experience significant uncertainty in domestic economic and political conditions exacerbated by an extremely difficult global environment. Data#3 is not immune to these external factors and continues to operate in circumstances within which business outcomes are difficult to forecast. Both government and private industry customers continue to postpone or cancel capital expenditure decisions in software, hardware and projects and we continue to see high levels of market competition.

Given this backdrop, our key objectives for the 2013 financial year are to continue to gain market share while increasing overall profitability. 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 has often said, to maintain a leadership position we must continue to invest in our people, systems and facilities and this year's plan again includes investment expenditure intended to do this.

John will discuss changes to contract revenue flows and cost structures which have changed the balance between the first and second halves when compared with last year. Our overall financial objective for the year is to improve on the performance of the 2012 financial year.

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

In these difficult conditions we continue to see growth as vital and whilst our plans are predominately for growth from within, we again expect to see opportunities to enhance the company's results and financial position externally.

It has been pleasing to see the relatively strong share price performance over the past year. At 30 June 2011, prior to the share split, the shares were trading at an adjusted price of $1.32. At 30 June 2012 the market price was slightly down at $1.11 and there have been fluctuations in the intervening period, mainly in line with movements in the market generally. This represents a strong performance at a time of extreme difficulty in the economy, business environment and stock market. This strong market value together with the sustained performance and profitability of the company is the basis of long term shareholder value.

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 by competitors 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 my reappointment to the board. I am very pleased to present myself for re-election. For this item I will hand the chairmanship of the meeting to Terry Powell.

The fourth item on today's agenda is the reappointment of Glen Boreham who was appointed to the board subsequent to the last AGM and consequently must now stand for election.

Information regarding the qualifications and experience of all directors is included in the company's annual report and, for those seeking re-appointment today, in the supporting notes to the notice of meeting.

You will be aware that, following consideration by the board, in February 2012 it was announced that our Managing Director John Grant had accepted the Chairmanship of the newly constituted Australian Rugby League Commission. John had a long and distinguished career in rugby league including as an Australian representative player. Whilst there is no doubt that this is a demanding position it is also an extremely high profile position both generally and within government and private industry. We believe that this provides John with considerable opportunity to the benefit of Data#3.

I will now ask John to the microphone to address operational aspects of the company's 2012 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 2012 Annual General Meeting.

Richard Anderson
Chairman
Data#3 Limited

Data#3 Limited
2012 AGM – Managing Director's Address
8th November 2012

Ladies and gentlemen

Firstly let me share the Chairman's welcome to you. It's always a pleasure to formally address our shareholders and other friends of the company and to do so once again in our head office in Toowong.

Those of you who were with us last year will remember I described these premises as a mobile technology enabled workplace with no offices, plenty of meeting and collaboration areas and excellent customer facilities – a place where work is something we do rather than a place we go to.

The design aims to increase the productivity and flexibility of our team members and provide capacity for considerable growth. We completed a similar refurbishment in our North Sydney office in 2012, have just completed a similar fit-out in new premises at Southbank in Melbourne that is much closer to our major customers and partners, and later this year will similarly refurbish our Adelaide and Perth offices.

In total we'll invest close to $9 million on these facilities. This is being amortised over the lease periods but will have a life of over 10 years. Having offices and facilities that are loved by our people and the envy of many of our partners and competitors is one of the prices that comes with strong growth in a market competitive for the best talent. We'll take a bit of a hit to the profit and loss early on, but will get it back and more in later years.

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

FOCUSED ON CUSTOMER SUCCESS

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.

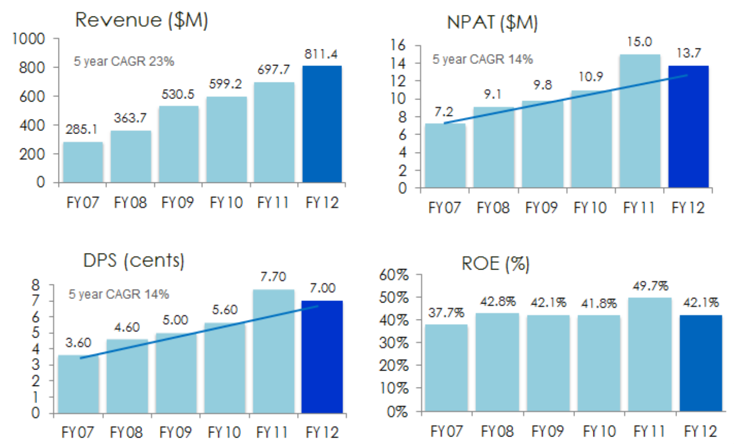
- Through Software Licensing and asset management and business productivity services, we answer our customers' needs to optimise and manage the volume acquisition, management and use of software in the workplace;
- Through Product Solutions we offer our customers lifecycle hardware solutions including cost-effective procurement, warehousing, implementation and disposal;
- 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 providing flexibility and choice in technology consumption from acquisition to pay per use or cloud; and
- Through People Solutions we help our customers recruit the appropriate IT people for their organisation.

These 5 areas continue to provide a resilient portfolio of offerings and together offer many of our customers one place to shop.

THE 2012 FINANCIAL YEAR

2012 was a strong year with performance on the long term trend but below the outstanding result of 2011.

FY12 RESULTS ON LONG TERM TREND



Top line growth of 16.3% with product revenue up 17.5% and services up 9.7% was gratifying and again reflective of our ability to compete and win.

Dividends of 7 cents per share for the full year represented a yield of 5.75% and return on equity remained one of the best in the sector.

Operating cash flow seasonality was in line with the trend of previous year's with the full year average cash balance of $36.7 million up from $32.5 million in 2011.

Market conditions overall reflected the uncertain investment environment in Australia and the disintermediation being caused by mobile and cloud technologies. While what we call 'run-rate' business was in line with the previous year, in areas of significant investment, we saw project delays, long and hence costly decision cycles and competitive and aggressive pricing. Having said this we clearly won more than our fair share but performance across our specialist businesses was mixed.

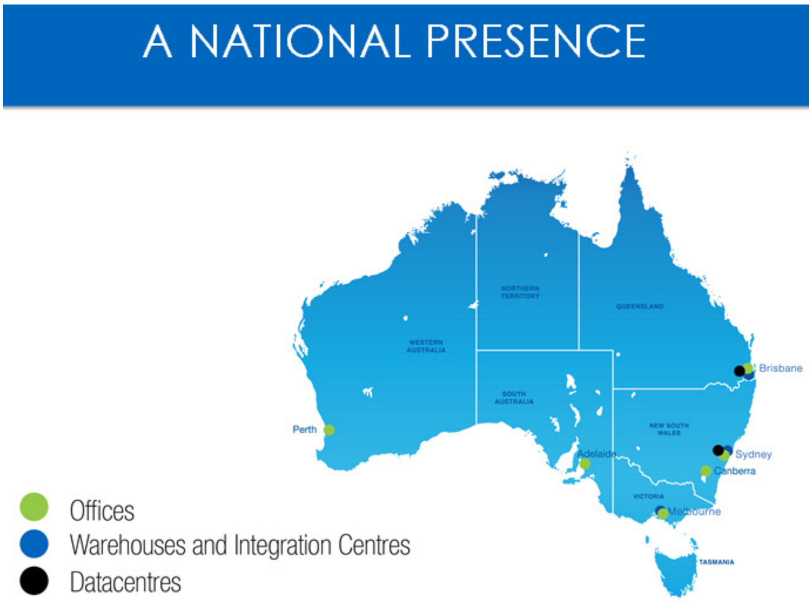
OUR SPECIALISATIONS IN FY2012

For the seventeenth consecutive year, Licensing Solutions exceeded all its targets growing revenue very strongly by 35.5% to $483 million. It is the clear Australian market leader and a significant engine driving our growth.

Our Integrated Solutions and Product Solutions revenues were most impacted by the market conditions both declining from the previous year. Even given this, we remained a market leader in services particularly relating to Microsoft and Cisco technologies and Hewlett Packard's largest revenue partner in Australia.

Our Managed Services revenues grew strongly as customers continued to outsource selective parts of their infrastructure and put in place maintenance and support agreements for their existing on-premises infrastructure to extend its life. In parallel to this growth, we invested in developing new software and infrastructure 'as a service' offerings on our trusted cloud infrastructure located in leased space in data centres in Brisbane and Sydney. Shareholders should note that we have not invested in our own data centres choosing rather to lease space in best in class facilities.

And our People Solutions revenues grew solidly in a difficult market with permanent placement revenues offsetting a decline in contractor numbers from 352 in the previous year to 240.

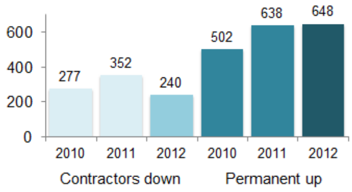


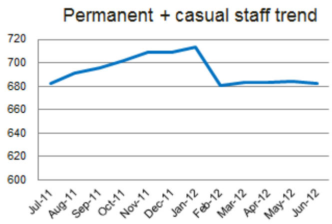
Around the national footprint of offices, warehouse and configuration centres and data centres, all states other than New South Wales experienced growth. In New South Wales, after stellar growth in the previous year, market conditions impacted significantly to see gross profit decline 12% and contribution to profit decline more significantly.

OUR PEOPLE

People numbers

Contractors down 32%



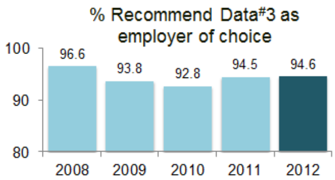


The number of people in the company decreased by 11% in the year, ending at around 900 with 648 permanent, 34 casual and 240 contractors in our People Solutions business. Early in the second half in response to the market outlook, we reduced the number of roles in the business. This saw a number of people leave the business under redundancy conditions for only the second time in our history.

OUR PEOPLE

People satisfaction

Held to our benchmarks

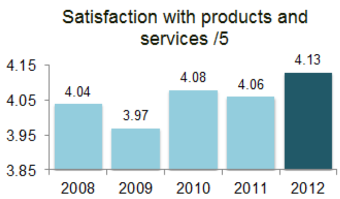


Given this difficult backdrop it was very comforting to see satisfaction and referral levels hold to the previous year.

OUR CUSTOMERS

Customer satisfaction

Exceeded our benchmarks



Conditions were challenging for many of our customers as they remained under considerable pressure to do more with less. Very pleasingly, overall customer satisfaction levels improved and, in a number of areas, were best ever.

ALL STRATEGIC INITIATIVES ON TRACK

Solutions

Strong acceptance of Strategic Consulting & Business Productivity practices

As in each year we undertook a number of strategic initiatives to support continuing growth. In 2012 we started two new services practices – Strategic Consulting and Business Productivity. While relatively small in the scheme of things, both grew solidly and contributed value to our customers well beyond their revenues.

ALL STRATEGIC INITIATIVES ON TRACK

Solutions

Trusted cloud for infrastructure as a service built out and ready to market

As I mentioned earlier, we set up our trusted cloud infrastructure in two datacentres in Brisbane and Sydney and these offerings are being taken to market in the current year.

ALL STRATEGIC INITIATIVES ON TRACK

Solutions

New strategic supplier relationship

EMC²

And we also formed a new strategic partnership with the world's largest storage solutions provider, EMC, achieving our targets for the year.

ALL STRATEGIC INITIATIVES ON TRACK

Supply chain

Supplier EDI and pricing complete

New quotation system and online portal under development

We started a series of investments late in the 2011 year to fully automate our supply chain. The rationale for these is that in a market in which we currently hold significant contracts and are a leader in our sector, but one which is subject to significant pressure to increase volume at low margin, we have to have scale and must drive out cost. We completed the supplier facing back end of the automation project in the year and commenced the customer facing front end in the second half. This is in internal pilot phase at the moment with first customers coming on board in November.

2012 SUMMARY

Summary

Strong revenue growth
Earnings on long term trend
People satisfaction held
Customer satisfaction improved
Supplier partnerships strengthened
Strategic initiatives were on track

So to summarise 2012, we achieved strong revenue growth with earnings and dividends on the long term trend albeit below the previous year. People satisfaction held in difficult times and customer satisfaction improved to all-time highs in all areas. Supplier partnerships strengthened overall and the strategic initiatives we undertook either completed as planned or are on track - all in all a very pleasing performance in a difficult market.

And so to the current financial year.

THE CURRENT FINANCIAL YEAR

Leadership

The right people
The right offerings
The right partnerships
Efficiency and productivity

To maintain leadership we know we need to continue to invest – in recruiting and developing the right people; in offerings for customers and providing them with choice in how they consume them; in strengthening our partnerships in all regions to provide market access; and in continuing to drive greater efficiency and productivity inside our business.

It is clear however to all, that there are global and national factors at play and outside our immediate control that have the potential to impact our business. It serves no useful purpose for me to elaborate further on these.

THE ENVIRONMENT

Technology

Mobile device 'war'

Increasing consumption 'as a service'

Channel as primary access to market

From a technology point of view, we expect the infatuation with the mobile device – phones, tablets and laptops - to continue with a war of attrition between the established i.e. Blackberry, Apple and Google, and the emerging player, Microsoft. This will continue to submerge enterprise IT decision makers and potentially delay enterprise investments.

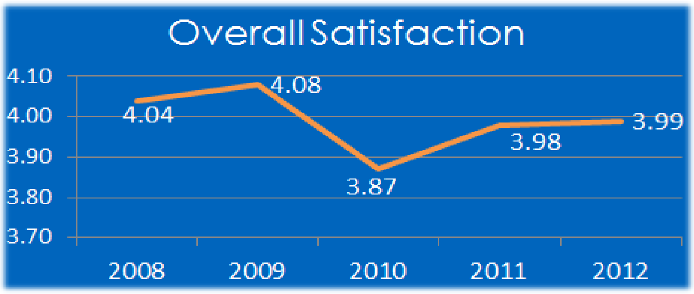
The cloud will continue to drive conversations if not revenues and technology vendors will continue to see the channel as their primary access to market to maintain revenues.

With this as backdrop, the formula for sustaining growth consists of a number of elements:

SUSTAINING GROWTH

People

An employer of choice



Firstly people remain our top priority – remaining an employer of choice for the right people through a combination of remuneration and benefits, the right working environment and the opportunity for professional and personal development is critical.

SUSTAINING GROWTH

Solutions

Align with customer business priorities

Are more our own services

Are more 'as a service'

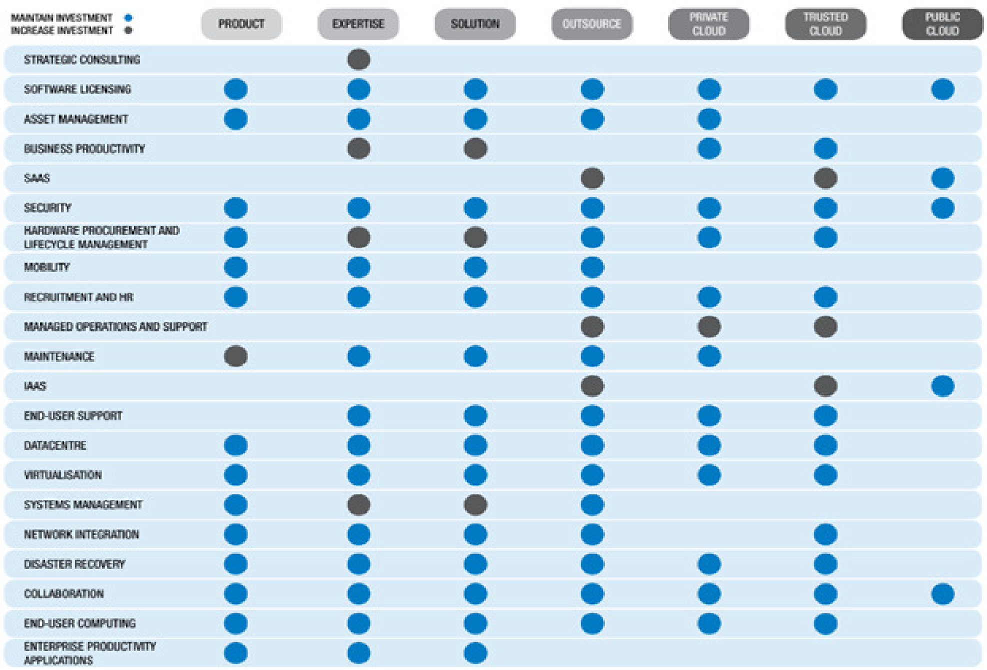
AND

Drive scale

Secondly, more than ever, our solutions must be less about technology and more about aligning with our customers' business priorities.

A significant part of this is the need for them to be more about services, particularly our own, and about being offered under contract, 'as a service', as well as for purchase. And for those that are volume and low margin in nature, we must drive scale.

SOLUTION / CONSUMPTION MODEL



This slide shows our full Solution / Consumption Model and while I know you probably can't read its detail and that it most likely won't mean that much to you in any case, I hope it does provide a sense that we have a broad range of solutions and are consequently able to have many discussions with customers and offer them choice. We see this as critical in these times.

SUSTAINING GROWTH

Internal

Discipline, productivity and efficiency

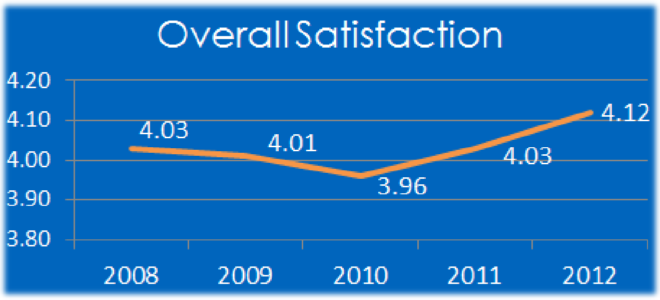
SMaRT Challenge

Internally we see discipline, productivity and efficiency all translating to higher output at lower cost, as key. We continue to invest in sales skills to compete aggressively; delivery processes and supply chain automation to give consistency; and a renewed focus on productivity in the workplace through a program titled SMaRT Challenge. This challenge to our people is to deliver 3 million minutes of increased productivity over the year. We do this within a performance oriented culture where significant percentages of remuneration for many our people depend on their performance.

SUSTAINING GROWTH

External

An outstanding customer experience



Externally, strong satisfaction is critical to retaining the customer franchise that's seen us successful over many years.

We remain focused on business risks and their mitigation.

RISKS AND MITIGATION

Software licensing

New licensing models

Scale, expertise and influence

In our Software Licensing business, our greatest risk and indeed opportunity is adjusting to the new licensing models almost all vendors are introducing. Primary among these is

Microsoft. The changes they introduced last year moved annual in advance billing for 3 year enterprise agreements to monthly in arrears billing. In our books, this means shifting revenue and profit in this year toward the second half. We have provided for this in our 2013 budgeting.

The scale we have in this business, the expertise within the team and the influence we can bring with our software partners for our customers' benefit are the attributes we have to mitigate the impact of this risk. And I guess further to this, the irony is that the more software licensing terms change, the more valuable and critical our expertise to our customers.

RISKS AND MITIGATION

Product supply

Pressure on volume and price

New products, scale and automation

In the hardware procurement business, sales of commodity products are under volume and pricing pressure, the proliferation of the mobile hand held device in favour of the traditional PC and our whole of government contract in Queensland out to tender. The arrival of many new products for Microsoft's Windows 8, driving to build further volume and hence scale and automation of the supply chain are key elements of our mitigation strategy. Success in the whole of government tender in Queensland is also material. Our view is that we are very well placed to do so.

In addition, we have been able to grow revenues from non-commodity products such as networking and communications equipment and the recent announcement of our success as the exclusive supplier of Cisco equipment to Perth's new Fiona Stanley hospital in our largest ever product sales win is evidence of this.

RISKS AND MITIGATION

Integration services

Restraint in project investment

Follow vendor investment

Own solutions

Our integration business is most susceptible to any restraint in project investment. We believe can mitigate this risk by maintaining the capacity and capability of our people in line with our vendor partners' technology investments and increasing revenues from our own niche high value services.

RISKS AND MITIGATION

Managed services

Return on investments

Enhanced sales capacity

We have made relatively significant investments in our Managed Services business. Getting a return from them is critical. We see this primarily as an access to market issue and are increasing sales leadership and sales capacity considerably to drive revenue.

RISKS AND MITIGATION

Contracting

Difficult market particularly in Queensland

Ride it out

Scale

And finally we see our recruitment and contracting business entering a more difficult market particularly given the significant proportion of its revenue that comes from Queensland Government. There is an element of riding this part of the cycle out but clearly if we could increase scale significantly we would be better positioned to mitigate the risk.

1H OUTLOOK

Turning to outlook for the current half, in setting our budgets for the 2013 year we were mindful of the broad market factors at play; the shift of revenue and profit from Microsoft sales to the second half in our Licensing business as I described earlier; and the increased operating costs that have come with the infrastructure, systems and property investments we've made.

As a consequence, our plan for this full year biases performance more to the second half than last year. At the end of the first quarter we were ahead of this plan and in line with the previous year. There are many opportunities that can influence the result for the second quarter and hence the full half.

OUTLOOK FOR 1H

Tender flow

	FY10	FY11	YTD Oct FY12	1H FY12	FY12
Submitted bids	357	345	**147**	207	386
Decided bids	271	238	**32**	69	249
Won	126	119	**18**	42	121
% won	46%	50%	**56%**	61%	49%
Undecided	86	107	**115**	138	137
% undecided	**24%**	**31%**	**78%**	**67%**	**36%**

Some of you may recall that at last year's AGM, I reported strong tender flow with a high percentage undecided – 78% in fact. This undecided percentage improved somewhat by the end of the first half to 67% and significantly by the end of the full year to 36% as you can see.

OUTLOOK FOR 1H

Tender flow

	FY10	FY11	YTD Oct FY12	1H FY12	FY12	YTD Oct FY13
Submitted bids	357	345	**147**	207	386	**140**
Decided bids	271	238	**32**	69	249	**17**
Won	126	119	**18**	42	121	**13**
% won	46%	50%	**56%**	61%	49%	**62%**
Undecided	86	107	**115**	138	137	**119**
% undecided	**24%**	**31%**	**78%**	**67%**	**36%**	**85%**

This year we are experiencing similarly strong tender flow but with a larger percentage, 85%, undecided.

Clearly we have plenty of opportunity but also lots of work yet to do by the end of the first half. Our expectation at this time is that the result for the first half will not vary materially from that of the previous first half. We will keep shareholders informed should our view change.

OUTLOOK FOR FULL YEAR

"Our financial objective for FY13 is to improve on the performance of FY12"

And our intent remains that the full year will improve on last year's result.
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 sixth consecutive year.

So as I hand back to Richard, and as I said in the annual report, my thanks go once again to our many stakeholders. It is the close, supportive and interwoven nature of the Data#3 corporate culture that is its greatest strength. The Data#3 team across Australia continues to flourish professionally – our team adapts, excels and creates success for our customers. Our customers continue to invest in our ability to realise their business goals because they know we deliver outstanding ICT solutions. Our partners continue to offer us the leading edge technologies with which we can satisfy our customers' ever-changing needs. Our shareholders provide us with investment and their reward has been many years of market leading returns on that investment. We recognise and appreciate the immense value to our business of these trusted, long-term alliances.

Thank you.

John Grant
Managing Director
Data#3 Limited