

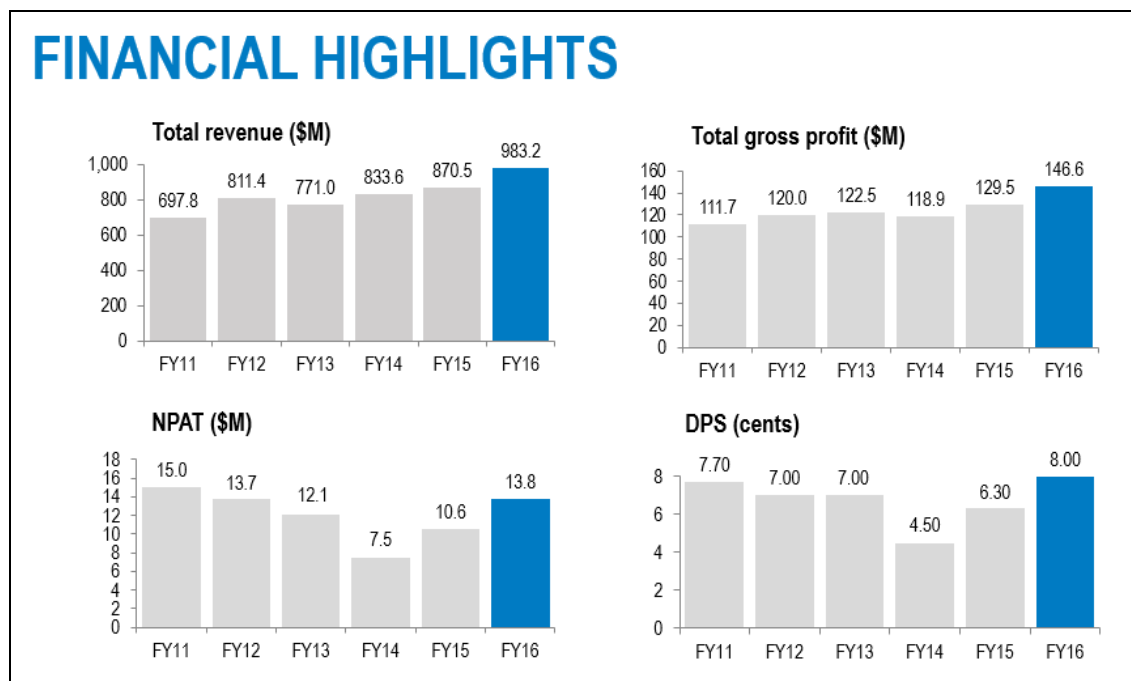
Ladies and gentlemen,

Good morning. I'm very pleased to welcome you to the 2016 Annual General Meeting of Data#3 Limited at the company's Brisbane corporate premises.

The opening video is from JuicelT, Data#3's largest customer event, held annually for the past 8 years. In April 2016 we had over 20 world-leading vendors presenting to close to 1,500 attendees.

The annual report issued with the notice of today's meeting presents the 2016 financial year (FY16) results and the financial position as at 30 June 2016. The report is available electronically and we encourage shareholders to use this method to access company information. Of course the report continues to be available in hard copy.

We are delighted to report another year of solid revenue growth in the 2016 financial year and, more importantly, even stronger earnings and dividend growth. We consider this an excellent result in a competitive and transforming technology market.



Total revenue increased by 13.0% to \$983.2 million, gross profit increased by 13.2% to \$146.6 million, and net profit after tax increased by 30.4% to \$13.8 million. In a continuing relatively flat market and mixed economic environment, return on equity was 34.7%.

Fully franked dividends for the full year increased 27.0% to 8.0 cents per share representing a pay-out ratio of 89.1% and an 8.7% yield on the average share price over the year. Data#3's share price increased steadily during the year, from 79 cents to \$1.05, and more significantly following the full-year results announcement. Total shareholder return for the year, based on dividends paid, was an outstanding 41.4%.

It is particularly pleasing that at the same time as delivering strong financial performance, we also made significant progress with our long term strategic plan. The plan contains three objectives - to deliver sustained profit growth; to grow services revenue with an increase in annuity business and an increase in margin; and to grow cloud services revenues.

We have now had four consecutive half year reporting periods of profit growth, and in FY16 services revenues grew by 17% and cloud-based revenues by 110% to reach \$99 million; all clearly indicating that the strategic plan is on track.

The company's Chief Executive Officer, Laurence Baynham, will discuss the full year result and the operating environment in more detail shortly.

Cloud services represents the fastest growing part of our business. Going back 5 or 6 years we had customer demand for cloud solutions. This was the start of different technology consumption models. In response we built the Data#3 Cloud which was relatively expensive and capital intensive. Today, we see public cloud as a more cost effective, scalable and robust solution for our customers. Data#3 is Microsoft's largest partner in the region and Microsoft is the fastest growing public cloud provider. Our combined forces are creating market demand and together we are capitalising on our leadership position. We should also not forget that our traditional business with its global partners is reinventing itself as a very strong part of Data#3's future. Laurence will elaborate more in his address.

In FY17 our plan is based on an expectation of relatively unchanged economic and political market conditions. However, according to Gartner - a leading industry analyst - the global IT market is predicted to increase by 2.9% in 2017. This is significant as globally the market experienced a slight contraction in 2016.

The board again acknowledges the contribution of the company's management and staff who have performed exceptionally well across multiple areas of specialisation and across our national market. Likewise, we greatly appreciate the continued support of you our shareholders. You can be assured that we are working diligently to increase the return we provide to you, and to achieve our long term strategic goals.

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, with a significant proportion comprised of short term or long term incentives.

FY16 saw a new senior leadership team established that has many years' experience in the IT industry, which sets us apart from our competitors. The outstanding FY16 result clearly demonstrates the capability of this team.

As I have said in previous years our management and staff are regularly targeted by competitors in the highly competitive market for IT talent, and we are very conscious of the balance that must exist between expense levels and attracting and retaining key people.

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. I recommend the remuneration report for adoption at today's meeting.

As previously advised, during the financial year John Grant stood down on 31 December 2015 after 18 years as Managing Director, undoubtedly one of the longest serving Managing Directors in the history of the

Australian IT industry. We wish John further success in his continuing role as Chairman of the Australian Rugby League.

Also as recently announced, Ian Johnston retired from the board on 30 September 2016. His contribution during his 9 years of service has been exceptional and we wish him all the very best for the future in both his personal and professional life. We are very pleased to have Ian with us here this morning.

In progressing board succession, we were delighted in February 2016 to have Leanne Muller join the board. Details of Leanne's qualifications and experience are set out in the notice for today's meeting and confirmation of her appointment is on today's agenda for consideration.

The other item for consideration today is Terry Powell's reappointment to the board. Whilst Terry is well known for his years of outstanding service to Data#3 his qualifications and experience also are detailed in today's meeting notice.

The board succession plan is intended to achieve progressive changeover with minimum disruption to the management of the company and the evolving strategic direction.

Today we are pleased to announce Laurence Baynham's appointment to the board as Managing Director. Laurence has over twenty years of IT experience with Data#3. As CEO he is leading from the front. We expect to announce further appointments during FY17.

In summing up ladies and gentleman our key objective for the current year is to increase earnings over FY16. To achieve this, we intend to leverage the access we have to a very large marketplace to drive organic growth in our core businesses and to continue to help our customers transition into service-centric public cloud solutions. With four months of the financial year behind us we remain very confident in our strategy.

I will now ask Laurence to the microphone to address operational aspects of the company's FY16 performance and the outlook for the current period.

Thank you for your continuing interest in the company and your attendance at this 2016 Annual General Meeting.

Richard Anderson  
Chairman  
Data#3 Limited

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Good morning ladies and gentlemen. Thank you for making the time to be here this morning.

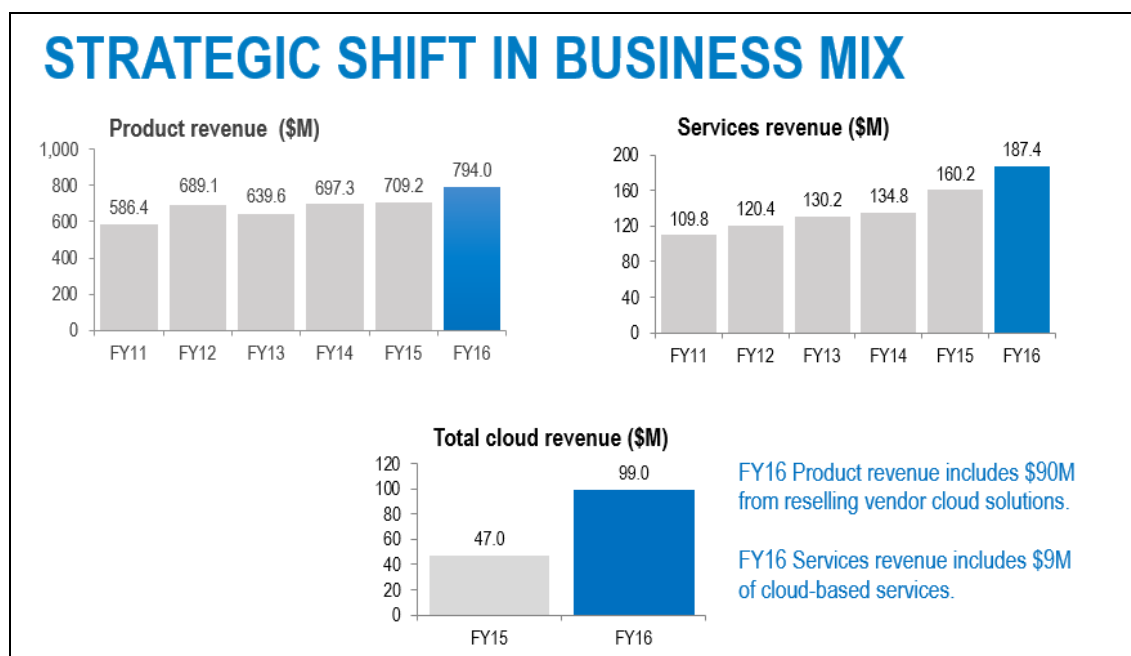
Thank you Richard, for announcing my appointment as Managing Director. I look forward to the challenge of my expanded role and the opportunity to further build shareholder value.

Much has happened since I took on the role of CEO two years ago. Working in conjunction with my management team, and with the support of the board, we continue to strengthen the business financially and strategically.

Today, I would like to cover 3 things:

1. An overview of our FY16 financial and operational performance
2. An update on our progress against our strategic goals and an overview of our current strategic plan.
3. Lastly, I will reaffirm our outlook.

Let me firstly review our financial performance for FY16.



Richard summarised the key metrics such as our increased revenues, profits and dividends. I would now like to focus on the revenue split. Our strategic intent was to grow services and I’m pleased to say that is exactly what we were able to do in FY16. Services increased to \$187 million which was up from \$160 million.

At the same time as growing our services we also increased product revenues to \$794 million which included \$90 million from the fast growing public cloud market.

Overall revenue growth included new business, as well as extending our reach into our large customer base.

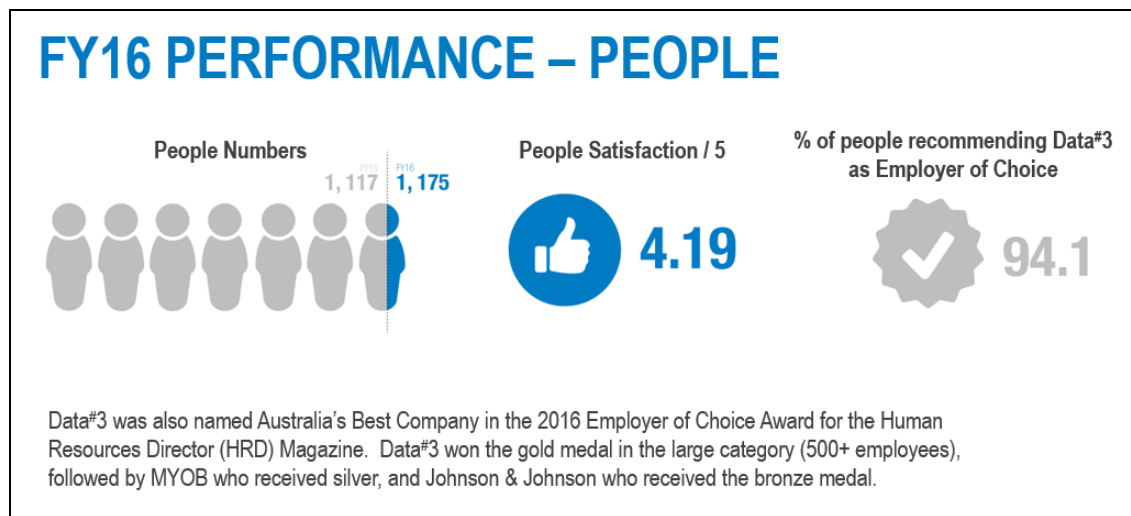
Now, let's take a regional view of the business. Starting with Queensland we were very pleased to achieve 13% revenue growth in our largest location. We saw market share gains with solid revenue growth in NSW (up 19%), ACT (up 8%), Victoria and Tasmania (up 15%) and Western Australia (up 16%). In South Australia we continued to see challenging economic conditions in one of our smaller locations, with revenue remaining flat.

The majority of our revenue is now derived from outside Queensland. We still believe we have room for solid growth in Sydney, Melbourne and Canberra at the same time as maintaining our leadership position in Queensland.

Earlier, Richard spoke of Gartner predictions for IT growth globally. The same study also predicted the Australian IT market to grow by 2.8% to \$85 billion in 2017. We believe that Data#3 is well positioned to take advantage of the forecast market growth with its national coverage and scale.

We see digital technologies leading business transformation in both commercial and public sector organisations, and the speed of digital innovation in social media, mobility, analytics and cloud has increased dramatically in the last few years. Digital technologies are already making profound and long-lasting changes to how the technology industry operates, and how technology enables greater productivity and commercial advantage for all business.

Data#3, together with the consulting team at Business Aspect, are well positioned to enable this transformation and capture new investment.



Let's have a look at some non-financial indicators that give an insight into the health of the business.

We had record participation in our People Satisfaction and Customer Satisfaction surveys and recorded the highest scores in many years.

It should not have been a surprise therefore when we succeeded in winning our first Employer of Choice award.

Human Resources Director magazine conducts an annual independent evaluation and I was very proud to receive the Gold Medal Award for organisations with more than 500 employees. This was particularly pleasing as the award is not just for the IT industry - it incorporates all organisations across the country.

One factor that contributes to the Employer of Choice award is our increasing support for our community and the increasing recognition of the significance of our Corporate Social Responsibility initiatives. Our national support of the Starlight Children's Foundation is great example of how our people have worked together to fundraise and volunteer. Many independent studies indicate strong correlation between CSR and improved financial performance.

Another non-financial indicator is the awards and certifications that we gain from our global vendors, and from industry. I will not go into detail on awards, suffice to say, this year has been as good as any other.



Next I'd like to elaborate on our strategic performance in FY16.

As Richard highlighted, our long-term strategy is to deliver sustained profit growth; to grow services revenue with an increase in annuity business and an increase in margin; and to grow cloud services revenues. Overall, we were pleased with the strategic progress we made in FY16. We increased our services business by \$27 million and grew our cloud-based revenues to \$99 million which was an increase in 110%.

Looking forward, the rolling 3-year strategic plan keeps the same focus and steers the business increasingly in the services direction. The plan assumes the following underlying fundamentals for the Australian IT sector:

- A continued shift to consumption-based and service-centric solutions
- Digital solutions will increasingly transform business models
- Security remains a high priority
- Education and health sectors will continue to grow
- Public cloud usage will rapidly grow and become mainstream.

With these factors in mind, our priorities for FY17 include the establishment of a health sector team to emulate the success we have seen in the education market. In fact, we achieved over \$100m in education revenues in FY16, which we believe places Data#3 as the national IT leader in the education market.

To address the growing public cloud opportunity, we have built repeatable service offerings which start with our Business Aspect team helping customers transition to robust, scalable and low risk cloud platforms.

We have been pleased with the progress of the security practice that we announced in FY16. We still see the combination of Business Aspect consulting with Data#3's design, deployment and management of security solutions offering unique advantages for our customers.

Two internal initiatives that underpin our strategy and transition to an increasingly services business are sales enablement and our own software application upgrades to support our growing business. For sales enablement we have partnered with CEB, a global leader in transforming sales teams. The objective of this

investment is to better enable our sales teams to help our customers achieve their business goals through the use of technology.

Now let's review the operations of the two acquisitions that we embarked on in FY15.

Firstly, Business Aspect is a team of management consultants who continue to operate independently, but within the Data#3 Group. We are very pleased with the alignment with the core Data#3 team which complements our Go to Market for our solutions and introduces the Data#3 team to higher level contacts outside of IT. FY16 had a relatively slow start for BA whilst we started to build out and scale a national business. The second half of the year proved to be more successful as the team contributed to overall group profitability. From a base of 80 consultants we have grown in each state to a national team of over 100.

Secondly, we increased our investment in Discovery Technology to a controlling interest in July 2015, which means that Discovery Technology was fully consolidated into the FY16 result. The business operates independently of Data#3 and the FY16 financial performance was disappointing due to abnormal expenses and long sales cycles. Market demand remains high and a significant pipeline of opportunities is expected to drive improved contribution in FY17. We are currently reviewing the strategic direction for the Discovery Technology business.

I'd now like to provide a couple of examples of recent customer wins.



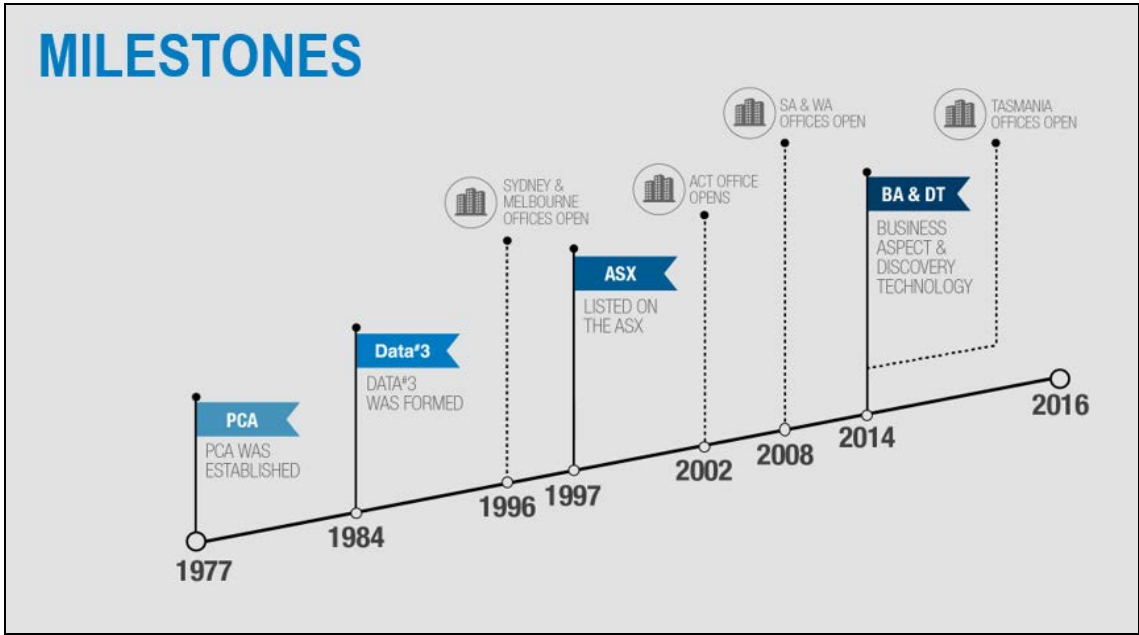
Firstly, 'Computers for Teachers' is a program run by the Queensland Department of Education and Training since 2006. Under the program, devices are replaced every four years, as part of the Queensland Government's commitment to support the future of teaching and learning.

Our dedicated Education team has worked closely with DET for over 22 years and we are delighted to have won the multi-year contract for the refresh of up to 12,000 HP devices. The devices will be purchased with priority warranty and service levels, and deployed to schools across the State over the coming months. As the largest HP partner in Australia, we have complemented world-leading products with our local services, and we look forward to working with the department on this significant contract.



The second example is with our consulting team at Business Aspect. We have previously described that we operate Business Aspect independently, but within the Data#3 Group. The recent project that Business Aspect delivered for Melbourne Water illustrates that we are making progress in growing our team nationally and that we are working predominantly with 'C-level' contacts in large corporate and government organisations.

The Enterprise Architecture project laid the foundation for business wide digital transformation. The Chief Technology Officer for Melbourne Water, Geoff Purcell commented that "Business Aspect led the program and we were able to shift the perception of 'digital' in the business from an IT concept to something tangible that can improve the way business is done." That sentence sums up the strategic value that Business Aspect provides to our customers and to the Data#3 Group.



And now I'd like to cover a little history. You can see from this chart how the Data#3 Group has evolved over many years. Calendar year 2017 will see two important anniversaries for our business. Firstly, we will enjoy 20 years as a listed company in December 2017. Secondly a huge milestone for an Australian IT company is to reach 40 years. In 1977 Powell Clark and Associates saw the beginning, of what is now, an icon of the Australian IT industry. We look forward to celebrating this milestone with both Terry Powell – non executive director and Graham Clark who is in the audience. The two founders of this business.



## OUTLOOK



Looking ahead at FY17, we see the IT markets remaining highly competitive and this translates into continuing pressure on margins.

FY17 will again see a skew to the 2H and our full year outlook remains unchanged i.e. our overall financial goal for FY17 is to improve on FY16's result.

We expect to improve on last year's first half NPBT of \$6.1 million. To what extent we can do this remains dependent on opportunities that need to be realised in November and December. Our current projection is for before-tax profit in the range of \$7.0 million to \$8.5 million. This projection underpins our full year guidance.

Therefore, in conclusion, this is both an exciting, and challenging time for Data#3, and I want to personally acknowledge and thank the whole Data#3 team for their hard work and dedication over this past year. In addition, I would also like to thank our very capable senior management team members for their determination to continually improve the business, and I'd like to acknowledge the board for its support and guidance.

The past 12 months has seen significant share price and total shareholder return growth, and I can assure you that we will be working hard to deliver sustainable growth for FY17 and beyond. I look forward to updating you on our progress during the year.

Thank you.

Laurence Baynham

Chief Executive Officer and Managing Director  
Data#3 Limited

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