Data#3 Limited
2017 AGM - Chairman's Address
9 November 2017

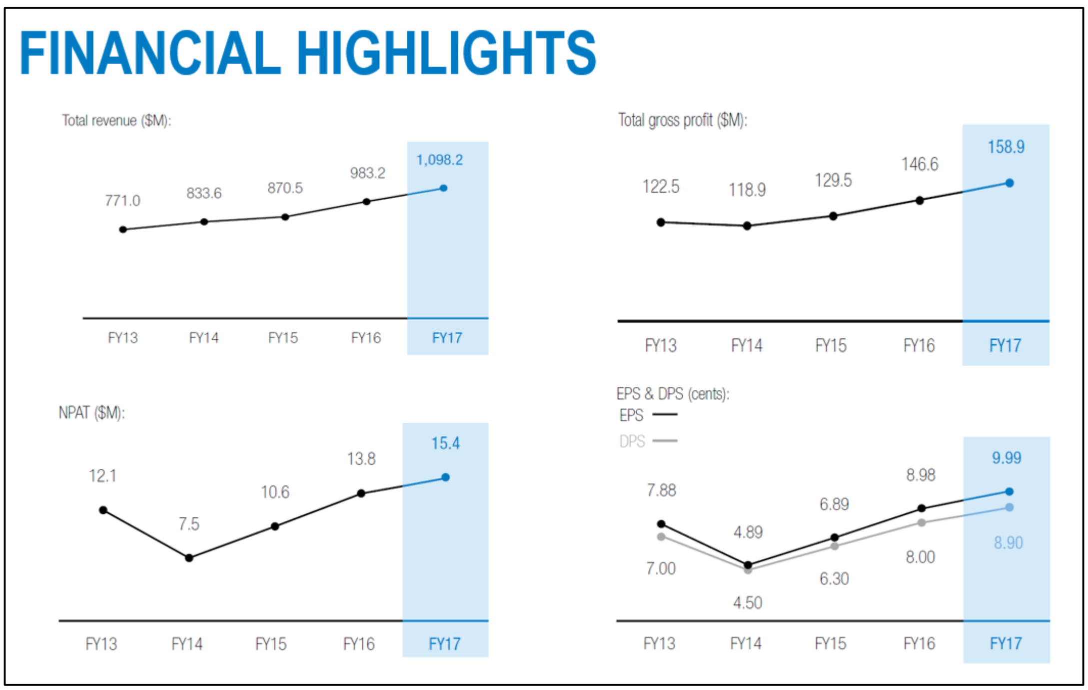
Ladies and gentlemen,

Again good morning and welcome to the 2017 Annual General Meeting of Data#3 Limited at the company's Brisbane corporate premises.

We are delighted to report yet another very solid performance in a year of significant milestones. During the 2017 financial year (FY17) Data#3 celebrated its 40th birthday. This is a great achievement for any Australian business and we gratefully acknowledge everyone who contributed to reaching this 40-year milestone. From humble beginnings, Data#3 has risen to become Australia's leading information technology services and solutions company.

The opening video shows some of our people around the country celebrating Data#3's fortieth birthday.

Next month marks another great occasion for Data#3, as twenty years ago in December 1997, the company floated on the ASX with a market capitalisation of $15 million. Today, that has risen to over $290 million and the team has grown to more than 1,100 staff across 14 locations. Over that period Data#3 has delivered a revenue compound annual growth rate (CAGR) of 15.6%, dividend CAGR of 11.4%, and share price CAGR of around 14%.



Strong revenue growth in FY17 saw turnover exceed $1 billion, another major milestone. More importantly, the company delivered continued earnings and dividend growth to reach record highs. We consider this an excellent result in an environment where information technology is continuing to change our everyday lives.

It was particularly pleasing that at the same time as delivering short-term improved financial performance, we also made significant progress with our long-term strategic plan. The plan contained 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 six consecutive half year reporting periods of profit growth, and in FY17 services revenues grew by 9.5% and cloud-based revenues by 71% to reach $169.5 million - all clearly indicating that our strategic plan remains on track.

After-tax profit and earnings per share increased by 11.2%, and the directors declared a final fully franked dividend of 5.55 cents per share, bringing the total dividend for FY17 to 8.90 cents per share fully franked, an increase of 11.3%. The share price increased significantly over the year, which, together with dividends paid, delivered a very substantial 72.7% total return to shareholders.

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

We see economic conditions in FY18 largely consistent with FY17, with traditional information technology investments remaining relatively flat. However, we are seeing digital technologies leading business transformation in both the commercial and public sectors with the speed of digital innovation in mobility, analytics and cloud increasing significantly in the last few years. Digital technologies are already making profound and long-lasting changes to the IT industry, and to how technology enables businesses and their users to operate. Data#3, together with the consulting team at Business Aspect, are well positioned to enable this transformation and to capture new business.

The board and management acknowledge the contribution of the company's staff who 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 both 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 and long term incentives.

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. We have obtained independent advice during the year on the appropriate levels of remuneration, and the basis and design of remuneration packages to suit the Data#3 business and to meet external stakeholder expectations. This has helped us review and implement changes to the executive remuneration packages in FY18 and beyond.

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

For some time, a key focus of the board has been succession planning - both for the management team and the board itself. The board has previously engaged an external consultant to assist with the development of the board succession plan, including the assessment of the board skills needed for the future, and to assist in the search for new directors.

In progressing our board succession plan, we were delighted to have Mark Gray join the board in August 2017. Details of Mark's qualifications and experience are set out in the notice for today's meeting and confirmation of his appointment is on today's agenda for consideration.

The other item for consideration today is my reappointment to the board. For this item I shall hand the chair of the meeting to Leanne Muller.

It is intended that one or two further board appointments will be made in due course, allowing the remaining long-serving non-executive directors to retire to achieve a changeover with minimum disruption to the management of the company and the evolving strategic direction.

In summing up ladies and gentleman our key objective for the current year is to increase earnings over FY17. 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 FY17 performance and the outlook for the current period.

Thank you for your continuing interest in the company and your attendance at this 2017 Annual General Meeting.

Richard Anderson
Chairman
Data#3 Limited

Data[#]3 Limited
2017 AGM - CEO and Managing Director's Address
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Good morning ladies and gentlemen. Thank you for making the time to be here this morning.

Thank you Richard, for your Chairman's address and high level commentary. I would like to provide some more information on our operations and strategy.

Before I get into the detail, I would also like to comment on the milestones the Data#3 business has recently achieved. 2017 marked 40 years in business. This is a great achievement for any Australian business but to achieve 40 years in the fast moving IT industry is something very special. Thank you to everyone who helped us to reach this 40-year milestone. The company's history dates back to 1977, where in a garage in the suburbs of Brisbane, Terry Powell and Graham Clark started a new IT application software business. In 1984 Powell, Clark and Associates merged with Allbrand Typewriters & Office Machines Pty Ltd to create Data#3.

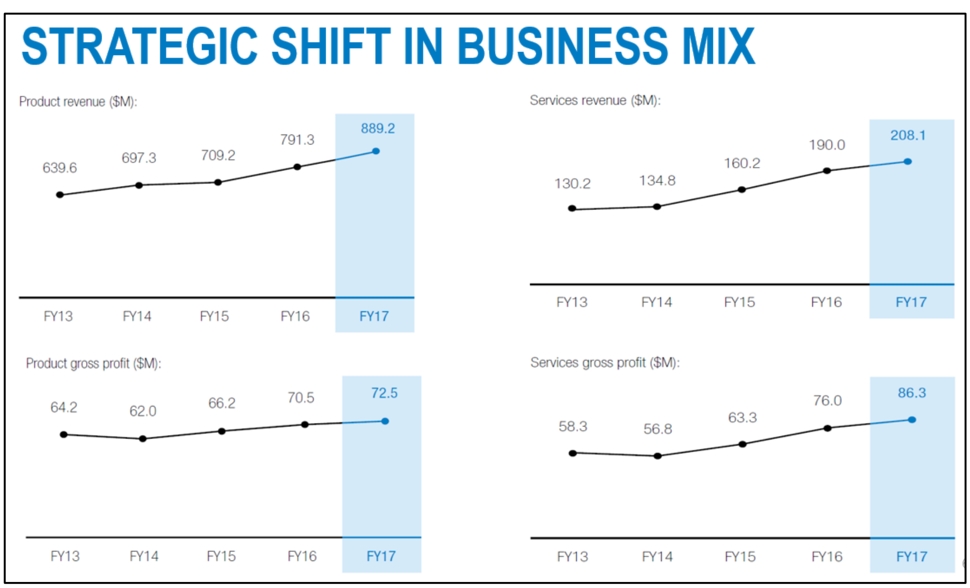
Almost twenty years ago, on 23rd December 1997, Data#3 was one of the first IT companies to list on the ASX.

In addition to the time based milestones we achieved financial records for the business. FY17 saw the business exceed $1 billion in revenues. From a shareholders' perspective, we achieved record profits which enabled increased returns to our shareholders.

Now let me move on to operations and strategy.

In doing so, I would like to break this down into three elements:
1. An overview of our FY17 financial and operational performance
2. An update on 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 FY17.



Richard summarised the key metrics such as our revenues, profits and dividends. I would now like to provide some more detail on these metrics. The overriding strategic goal is to increase our services business both in revenue and more importantly in terms of profit.

In FY17 I'm pleased to say that we largely achieved this major strategic goal. Services revenues increased from $190.0 million to $208.1 million, a 9.5% growth. Services gross profit increased from $76.0 million to $86.3 million which represented a 13.6% growth.

At the same time as growing services contribution we also increased product revenues to $889.2 million.

Included in these revenues is $169.5 million from the fast growing public cloud market. We have now tracked this growth over three years and seen a CAGR of approximately 90% from this emerging market segment.

According to industry analysts the 2017 IT market in Australia will grow at 2.8%. Based on current growth rates we continue to take market share in Australia. Estimates of the total Australian market is approximately $85 billion and while our total addressable market is a subset that figure, we still have considerable opportunity for growth in the Australian IT market.

Performance across the states varied, reflecting the strength of local market conditions and the scale of our business in each location.

Looking forward, we still believe we have room for solid growth in each of our locations. Sydney, Melbourne and Canberra remain our highest opportunity for growth.

The underpinning foundations of the business remain strong and in many cases are at record highs.

Financial
Our balance sheet continues to be free of any material debt and our cash management is among the best in class. This provides a very efficient working capital model. In addition, our 'lean' investor relations team won the 2017 Australasian Investor Relations Association award for Best Investor Relations by a company in the S&P/ASX Emerging Companies Index.

Customers
We recorded very high customer satisfaction survey results and implemented regular 'pulse' surveys which are consistently showing that we are meeting our customers' expectations.

People
We had record people satisfaction survey results and built on last year's first Employer of Choice award. This year we succeeded in winning Employer of Choice awards for Australian Business, Human Resources Director, and WIT which is the increasingly influential Women in Technology group.

2017 has seen Data#3 increasingly become a destination of choice for many highly talented individuals.

In line with our planned growth strategies, in the first quarter FY18 our net head count growth percentage was in line with previous corresponding periods and during this traditionally busy recruitment period, we typically see Data#3 approached by people from our vendors, competitors and customers. Unfortunately, in early August, a handful of new employees were subjected to legal proceedings brought against them by their former employer, a competitor of Data#3. Data#3 has recently been named as a joint defendant, and we are currently preparing a defence to the proceedings. We believe the claim that the competitor has raised, lacks merit, and as such the claim will be strenuously defended. We are also considering the basis for a counter-claim as part of this matter.

Corporate Social Responsibility
In FY17 Data#3 continued to engage with local and national communities through our Corporate Social Responsibility program. The Starlight Foundation continued as our main charity partner, and the four other major charities we supported were The Smith Family, The Leukaemia Foundation, Save the Children and World Vision. We are delighted to have raised a record total of more than $100,000 for charities during the year. We have also continued to encourage our staff's commitment to the broader community by allowing all employees to take one day of paid leave each year to participate in voluntary programs.

We firmly believe that the focus on corporate social responsibility is important to our people, as evidenced by our attraction and retention rates.

Next I'd like to elaborate on our strategic performance in FY17.

Following the success of previous years, our plan for FY17 sought to refine the existing strategy rather than make major changes. The ICT industry is fast moving and can be complex, so our aim for the FY17 plan was to continue the path of simplification and business improvement.

FY17 was the second year into a three-year strategic plan. The plan contained three long-term objectives:

- Deliver sustained profit growth
- Grow services revenue with an increase in annuity and an increase in margin
- Grow cloud services revenues.

I will address how we have made progress on each.

Deliver sustained profit growth
As at June 2017 we have achieved six consecutive half years of profit growth. We have achieved this result by:

- increasing revenues,
- maintaining prudent cost control,
- improving operating leverage, or the ratio of staff and operating costs to gross profit, and
- dedicating management focus to improving Discovery Technology's profit contribution in FY17.

Grow services profit with an increase in annuity revenue and an increase in margin
An increased focus and investment in our services business has resulted in growth in services revenues and profits across our solution categories. Services revenues have increased every year since FY09, with FY17 delivering 9.5% growth and a higher proportion of recurring revenue. A change in mix produced an increase in gross margin percentage and total services gross profit, and the total services segment profit increased by 64.8%.

Grow cloud services revenue
A major component of cloud services is the emerging market of public cloud. In FY16 we recorded $99.0 million of cloud services revenues, which was a significant increase from FY15's $47.0 million. During FY17 we capitalised further on this new growth market with total cloud services revenue of $169.5 million for the

year, an increase of 71.3%. Public cloud solutions such as Microsoft Office 365 and Azure remained major elements of our cloud service offerings.

Looking forward, the plan through to 2020 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:

- Digital transformation will be a key component of most corporate and governments business plans
- A continued shift to consumption-based models with everything 'as a service'
- Cyber security remains one of the highest priorities
- Continued growth in public and private cloud
- Increased demand for mobility devices
- Education and health sectors will continue to grow.

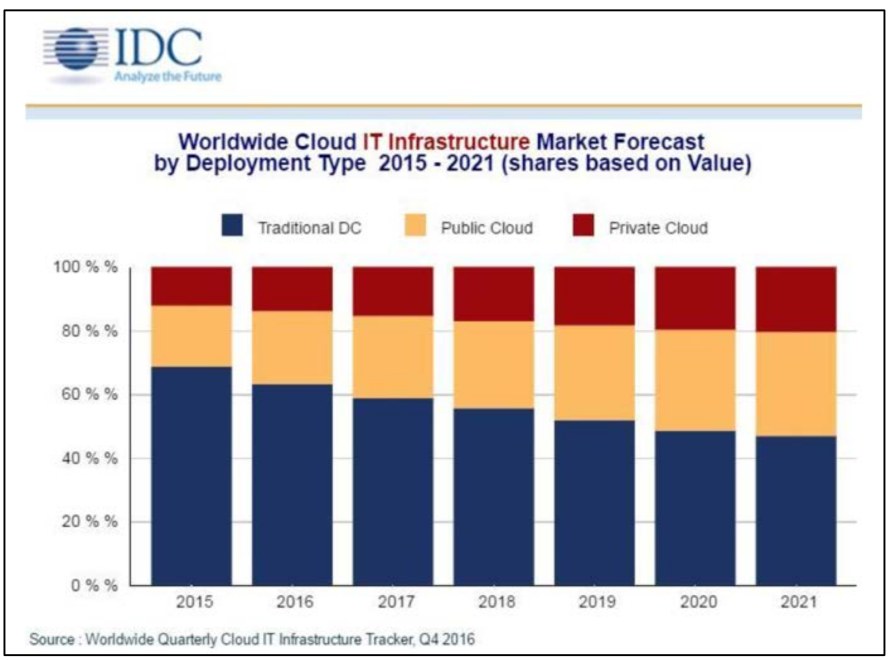
With these points in mind, our priorities for FY18 include improving our positioning to capture the increased spend in technology from digital transformation initiatives. This involves working with our customers' lines of business rather than the traditional IT departments.

The expanding cloud market now has two distinct paths – public cloud and private cloud.

In simple terms, public cloud is provided by the very large multinational vendors such as Microsoft and AWS. Private cloud uses similar technologies but is owned by the customer. The customer typically then provides cloud solutions to its customers.

The third option for customers is to continue to use their traditional systems in data centres without any form of cloud. Most enterprise customers have all three environments and are moving towards public or private cloud.

The chart from IDC clearly shows the growth trend of public and private cloud out to 2021.



So what does this mean for Data#3? The good news is that we are very well positioned to capture market in each of these segments. Our estimated growth in public and private cloud is expected to track similar to the IDC predictions.

The cloud growth also fuels many of our complementary services such as cyber security, consulting and network modernisation.

Our vertical industry focus in education and healthcare continues to grow and last year we exceeded $120 million in each of these sectors. We anticipate continued growth in FY18.

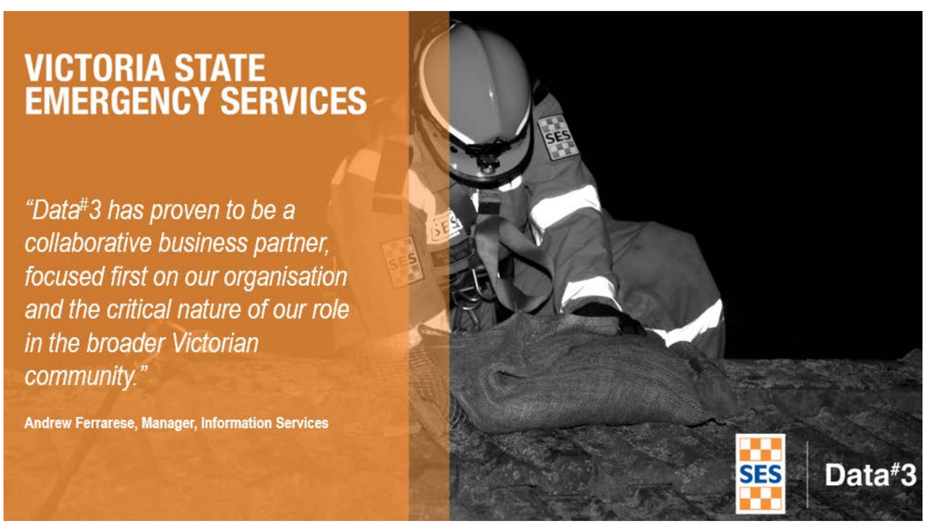
Now let's review the operations of the two acquisitions that we embarked on in FY15.

Firstly, Business Aspect is a team of management consultants who continue to operate independently, but within the Data#3 Group. We are pleased with the strategic alignment of Business Aspect with the core Data#3 team which complements our 'go to market' for our solutions and, in some cases, introduces the Data#3 team to higher level contacts outside of IT. The profit performance of Business Aspect was not what we expected in FY17 as we built out a national team. At the start of FY18 we saw a continuation of below par profit performance. Tighter controls on project delivery and improved utilisation are in place with an expected lift in profit towards the end of the first half of FY18.

Secondly, we increased our investment in Discovery Technology to a 77.4% interest in July 2017. This followed a strong turn around year in FY17. Our focus on the operational performance of the business saw a total before tax profit of $1.4 million compared to a loss of $1 million in FY16. We see that Discovery's Wi-Fi analytics software application remains the market leader and has increasing strategic relevance when combined with digital media. Data#3 continues to review the fit of Discovery Technology with its business, with a view to ascertaining the best value for Data#3 shareholders.

I'd now like to provide examples of some recent customer successes.

Victorian State Emergency Services (SES)



As an emergency services provider the Victorian SES, with over 5,000 volunteers, needs to have the right information, resources and tools to respond to emergencies as quickly and efficiently as possible. After a competitive tender process, Data#3 was selected to transition their IT infrastructure into the Microsoft Azure public cloud. The design and implementation was successful and we are currently providing a managed service to provide the on-going support for the new environment.

Managed Services – three new wins
Staying on the subject of Managed Services, we continue to see transition. We are in the process of decommissioning the Data#3 Cloud and helping our customers move into either public or private clouds.

Our newly announced partnership with the global powerhouse CenturyLink is important strategically, as it enables Data#3 to provide scalable, robust and cost effective cloud solutions for our customers that require a hybrid cloud solution. The partnership complements our existing cloud solutions.

Today, I am pleased to announce 3 new managed services contract wins. The first is with PanAust, a copper and gold producer with operations in Australia, PNG and South East Asia. The second is with a national real estate company, and the third is with a blue chip multinational manufacturing and distribution company. The last two are very recent wins, and we have not yet gained approval to disclose their names at this stage.

These all represent multi-year, multi-million-dollar services contracts, and offset the loss of the Ipswich City Council contract following their decision to transition to another provider.

FY18 will again see a skew to the second half and our full year plan remains unchanged i.e. our overall financial goal (and expectation) for FY18 is to improve on FY17's best ever profit result.

Last year we produced an exceptional first half performance, boosted particularly by two substantial projects, resulting in a 34% increase in first half profit. This year we expect that the Queensland State election on the 25th November could delay some projects. Traditionally, December is second only to June as our largest month of the year, and we have many projects and transactions that have yet to be concluded. We can confirm that our pipeline is substantial, however the timing of profit realisation and recognition will become clearer and we expect to provide further guidance as we progress through December.

In summary, this is an exciting time for Data#3 as we continue to adapt to changing market demands.
I want to personally acknowledge and thank the entire 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 contribution and support, and I'd like to acknowledge the board for its support and guidance.

The past year has seen significant shareholder returns from our record results in FY17. I can assure you that we will continue to work hard to deliver sustainable growth for FY18. 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
