**Data#3 Limited**
**2018 AGM - Chairman's Address**
**14 November 2018**

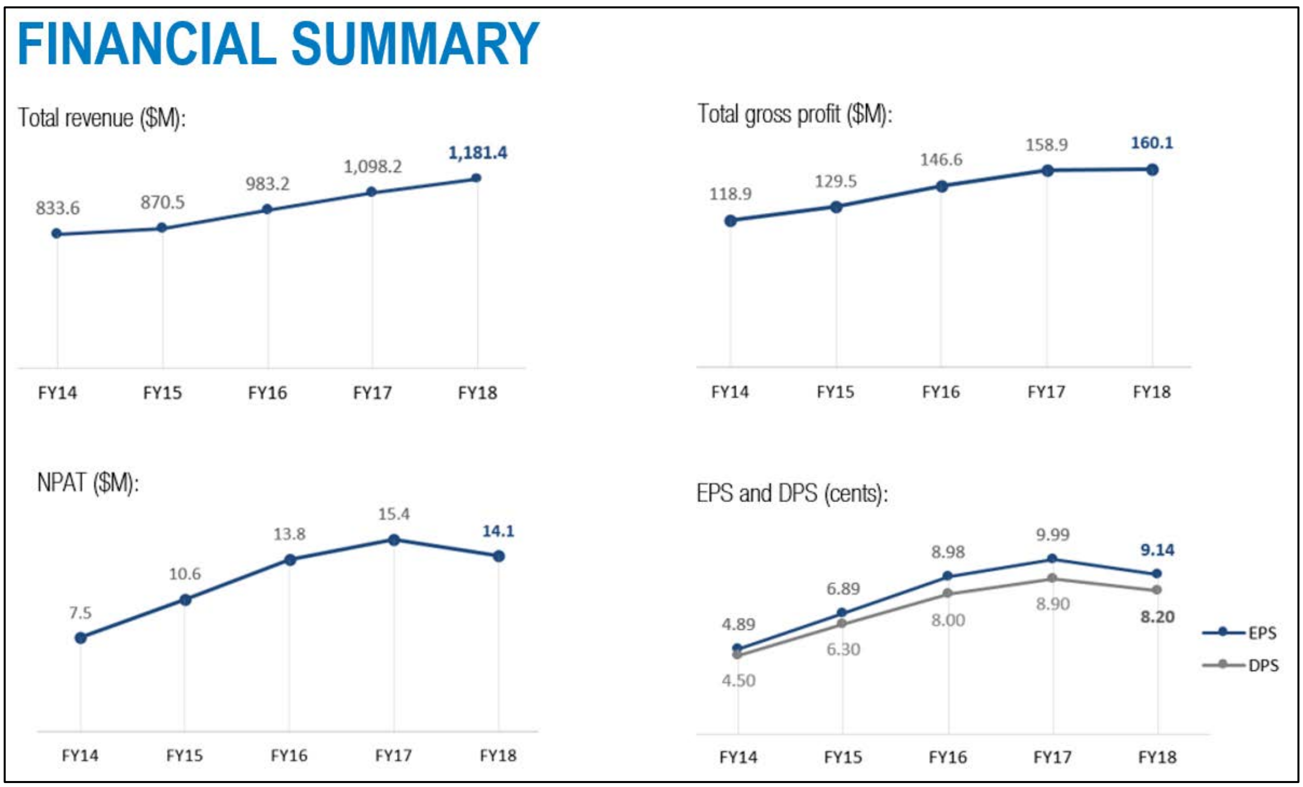
Ladies and gentlemen,

Again, good morning and welcome to the 2018 Annual General Meeting of Data#3 Limited at the company's Brisbane head office.

The opening video is from Data#3's 2018 Juice-IT trade show, which is now in its 11th year. This year we included Melbourne, Hobart and Fiji in the program, and were delighted with the response with over 2,500 attendees across the six locations.

As previously announced, the 2018 financial year (FY18) had a particularly challenging first half due to a number of one-off events, that resulted in a material shift in profit to the second half. We are pleased to have achieved a strong second half performance, which largely recovered the first half shortfall, but fell short of our full year objective to improve on the prior year's earnings.

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.




The full year result saw total revenue increase by 7.6% to $1,181.4 million, with solid growth in our core product business and 58% growth in public cloud-based revenues. However, full year earnings and dividend growth were impacted by the mixed profit results, with growth in the core Data#3 businesses offset by lower than expected contributions from the Business Aspect and Discovery Technology subsidiaries.

As a result, the consolidated after-tax profit and earnings per share decreased by 8.4%. The directors declared a final fully franked dividend of 6.60 cents per share, bringing the total dividend for FY18 to 8.2 cents per share fully franked. This is a decrease of 7.9%, and represents a payout ratio of 89.7%.

The non-financial measures indicate the underlying health of the business has continued to strengthen. Our staff and customer satisfaction surveys continue to produce record high results, and we have had continued success in winning cross-industry awards.

We see economic conditions in FY19 remaining steady, with a positive IT industry growth outlook. We continue to see digital technologies leading business transformation in both the commercial and public sectors. 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.

We are also requesting shareholder approval of two new employee share plans, being a broad-based Employee Share Ownership Plan and a Long Term Incentive Plan for managers, together with a request for approval to issue rights to the Chief Executive Officer and Managing Director under the Long Term Incentive Plan.

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, share ownership plans, and Long Term Incentive plans. The objective of the proposed plans is to better align management interest with shareholder interest.

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 Leanne Muller join the board in 2016, and Mark Gray in 2017. Both have made very valuable contributions since their appointment. In accordance with the constitution, another item for consideration today is Leanne Muller's re-election to the board, and I strongly recommend that shareholders vote in favour of that resolution.

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 company and its evolving strategic direction.

The final item for consideration is a request to approve a $100,000 increase in the maximum aggregate amount which may be paid as non-executive directors' fees, to $600,000 per year. This proposed change will accommodate an interim increase in the number of non-executive directors, which the board feels may be necessary and appropriate in the light of the expanded scope of Data#3's business operations.

In summing up ladies and gentleman our key objective for the current year is to deliver earnings growth and improved returns to shareholders. With four months of the financial year behind us we are very pleased to have achieved a strong start, and we remain very confident in our strategy.

I will now ask Laurence to the microphone to address operational aspects of the company's FY18 performance and the outlook for the current period in more detail.

Thank you for your continuing interest in the company and your attendance at this 2018 Annual General Meeting.

Richard Anderson
Chairman
Data#3 Limited

**Data#3 Limited**
**2018 AGM - CEO and Managing Director's Address**
**14 November 2018**

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.

In doing so, I would like to break this down into three elements:

1. An overview of our FY18 financial and operational performance
2. An update on progress against our strategic goals
3. Lastly, I will provide our outlook for the first half and for the full year.

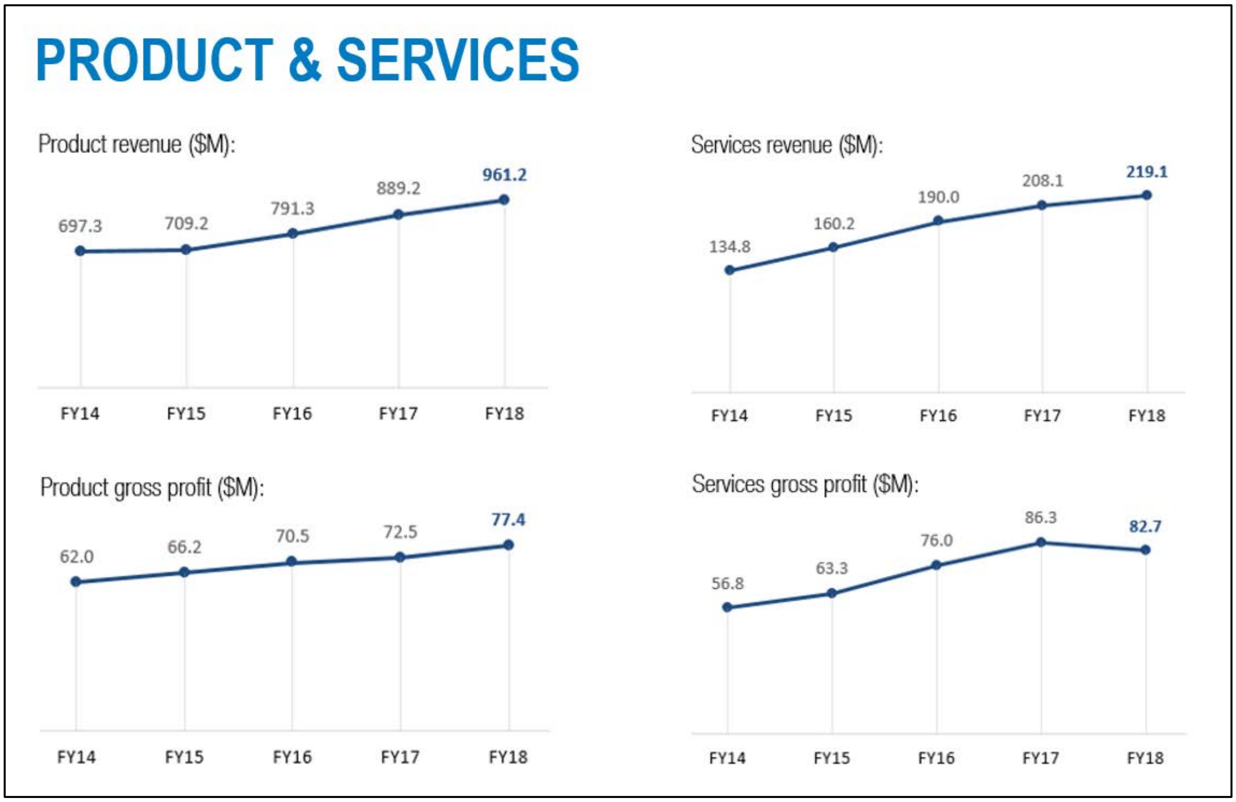
Let us start with a review of FY18. The headline, from a shareholder perspective, was an unusually poor first half result followed by a recovery in the second half and an annual result 8% down on the previous year.

The poor first half result reflected the decommissioning of the Data#3 Cloud; a material shift of product profit to the second half due to delivery delays in December 2017; and the weak first half performance of Business Aspect. As a result of the disappointing start to FY18, we made several changes to our business to substantially grow our profits for the second half.

The core Data#3 business is structured around three functional areas – Software Solutions, Infrastructure Solutions and Services – operating across eight regions. Business Aspect operates independently, but within the Data#3 group structure. Discovery Technology has historically operated independently and externally to the Data#3 group.

In FY18 we had a strong performance from our Infrastructure and Software teams, which constitutes a large part of the group. Product revenues increased by 8.1% to $961 million, with gross profit increasing by 6.7%.

The consolidated services business also grew in FY18, from $208 million to $219 million. After 4 years of consecutive gross profit growth from services, we had a decline of 4% in FY18. This was largely attributable to Managed Services and Business Aspect, which I will go on to describe in more detail shortly. The product and services revenues include $268 million of cloud based contracted revenues, which grew by 58% on PCP.




The infrastructure business capitalised on Data#3's scale and excellent vendor relationships in end user computing (devices), networking and a resurgence in the combined server and storage solutions.

The software business maintained its leadership position with Microsoft in the region and realised growth via the substantial increase in public cloud solutions.

The services business had a mixed year, with a strong performance from our recruitment, contracting and maintenance teams. Project-based professional services performance for FY18 was mixed, with the completion of integrated and complex technology solutions predominantly in the second half. Security services was once again a stand out performer.

Our Managed Services business, which provides multi-year support services, has continued a rebuild after the decommissioning of the Data#3 Cloud. The move away from our cloud to alternate cloud platforms for our customers has involved additional cost and a distraction throughout FY18. I am pleased to say that the decommissioning is now complete and our cloud future is lower risk with potentially higher returns.

Business Aspect is a management consulting business with extensive skills, experience and expertise in digital transformation, cloud strategy, architecture, security, risk and governance.

Business Aspect had a year of two contrasting halves. The first half had poor financial performance, with lower productivity, combined with an overhead cost structure that the business could not sustain. A recovery plan was developed and instigated in November 2017, resulting in significant remedial actions. The second half progressively improved each month and largely recovered the losses from the first half. Business Aspect now has a narrower focus on service areas, and more efficient operations having completed 'back-end' systems and processes integration with Data#3.

To complete the review, I'll cover our investment in Discovery Technology. The company is predominantly a Wi-Fi analytics business, which has developed an application called Connected Customer eXperience (CCX) that provides a unique range of location and analytical services utilising Wi-Fi infrastructure. In July 2017, Data#3 increased its shareholding in Discovery Technology from 61.6% to 77.4%.

After a solid profit contribution in FY17, Discovery unfortunately had a poor FY18 financial result, well below plan, with a pre-tax result $1.7 million below the PCP.

Despite the financial performance, we continue to see significant strategic advantage in Discovery Technology and will seek to capitalise on growth in the fast-moving data and analytics market. As part of our increasing investment and focus on performance rebuild, Data#3 has recently agreed with Discovery Technology to 'second' one of our senior executives into Discovery Technology's CEO role. His remit is to improve the operational performance, including identifying opportunities to further leverage Data#3's capabilities. We do not expect the improvement to be immediate, and we are planning steady progress for the balance of this financial year.

**Performance against strategic priorities**

Our three-year strategic plan for FY18 – FY20 included 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.

Our progress against these strategic priorities in FY18 has been mixed.

Firstly, we did not deliver sustained profit growth for the full year of FY18.

The first half saw a significant decrease in profit after six consecutive half years of growth. In contrast, we delivered a significant profit growth in the second half.

The underlying contributions to the full year result included the following:

- a record second half profit from the 'core' Data#3 business, delivering a full year result ahead of FY17
- a second half profit turnaround by Business Aspect, finishing the year close to break-even, but lower than FY17
- a material decrease in contribution from Discovery Technology compared to FY17.

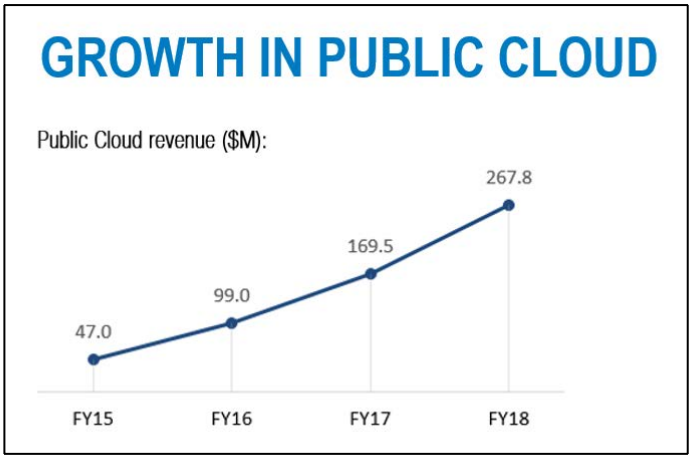
The second strategic priority was to grow services profit with an increase in annuity and an increase in margin.

Prior to the first half of FY18, we had delivered a steady increase in services profit. The impact of a poor first half and an improved second half performance was not sufficient to support a growth trend.

The Data#3 Cloud divestment in Managed Services and Discovery Technology's profit decline affected the combined profit result for services. As previously mentioned, Business Aspect's result was lower than FY17.

Throughout the year, we performed some excellent services engagements for our customers and our customer satisfaction remained at record levels.  We also grew our recurring revenues primarily with our Maintenance Services business unit and the public cloud subscription services.

The last strategic priority for FY18 was to grow cloud services.  The major component of cloud services is the growing market segment of public cloud.  In FY17, we recorded $169.5 million of public cloud-based revenues, which was a significant increase from FY16's $99.0 million.  In FY18, we grew these cloud-based revenues by 58% to $267.8 million.




Data#3 is Microsoft's largest reseller in the region and our cloud services strategy contains major elements of Microsoft's product offerings such as Azure, Office 365 and Dynamics 365.

Microsoft is taking the lead in public cloud globally and locally and we are in a prime position to capitalise on the growing market demand.  At the base level, cloud services annuity revenue with Microsoft subscription licenses is a substitute for our traditional license business.

Our intent and focus is to help our customers migrate applications to the most appropriate cloud solution. This may include private or hybrid cloud where customers can use a mixture of cloud services and software they run in their own data centers and manage both with a common set of tools.

Vendors such as Cisco, Microsoft, HP and Dell are major players in this market segment.  Data#3 is a dominant reseller for each of these global vendors.  An ideal engagement would see us provide services at every stage of our solution life cycle: consulting, design and implementation, and managed or support services for both public and private clouds.

**The IT Market in FY19**

For the IT sector, Gartner is the world's leading research and advisory company and the IT industry takes notice when they predict future technology trends and analyse market movements.  Gartner predicts the Australian IT market to increase by 3.5% to $93 billion in 2019.

The growth in IT spending will be driven by digital transformation, blockchain, Internet of Things (IOT), machine learning, and artificial intelligence (AI).  Gartner also says 28% of IT spend will shift to the cloud by 2022.

Suffice to say the market is changing and growing. This will create new opportunity for those organisations that can adapt quickly to customer demands.

So, what does this mean for Data#3? For those who are familiar with Data#3 over several decades, there should be confidence that one of our greatest strengths is our ability to adapt and keep evolving with customer demands.

The difference for 2019 and beyond, is that the pace of change is greater than ever before. We are confident that we continue to be well positioned to capture market growth, right across our wide portfolio. Increased customer spend in digital transformation or artificial intelligence usually translates into opportunity in our foundation technologies, such as cloud, security and mobility solutions.

The example in the opening video illustrated an intelligent traffic management system in Adelaide, which is built on scalable Cisco network infrastructure.

Another example of how Data#3 is working with the latest innovative technologies is with our Business Aspect team. We have been working with the NSW Government on the application of blockchain technology to digitally transform the lengthy and sometimes complex, property development process. A proof of concept involving developers, local and state government and utilities has been successfully completed. The next steps are already in progress.

In summary, Data#3 remains well positioned to capitalise on new and existing markets. Our strategic vendors include the likes of Microsoft, HP, Cisco and Dell who are all predicting continued growth in Australia.

On the subject of vendors, I am very pleased to make an announcement of two significant international awards. The first award is Cisco's Asia Pacific Partner of the year. This is in recognition of overall growth and performance. In addition, Cisco has increasingly become a software organisation and software is central to their growth strategy. Today Data#3 has been confirmed as the Global Cisco Software Partner of the year at Cisco's global conference in Las Vegas. Further detail will be provided in a separate media release.

In addition to the market positioning, the fundamentals of the business are in good shape. This includes the work of the finance team, which continues to manage our working capital most effectively.

As mentioned previously, our customers continue to tell us that we are meeting and exceeding their expectations.

Internally, our people returned a satisfaction survey result which was up on the record result of 2017. Data#3 was also named for the third consecutive year as an 'Employer of Choice' for organisations over 500 employees across all industry sectors.

Listening to all of that good news, I can assure you that we are not resting on our laurels. We continue to strive for improvement across our interactions with customers and our people.

Attraction and retention of great people in the IT industry is a constant challenge. Fortunately, we have an excellent recruitment organisation within our group that provides services both internally and externally.

These services, combined with our reputation and exciting projects, places Data#3 as a desirable destination for talented IT professionals.


I am pleased to say that we have made a strong start to the first half of FY19. We have carried forward the momentum from the last quarter of FY18 and we have secured some major contracts and projects. I am also pleased to say that Business Aspect continues to increase its profit contribution, and its strategic differentiation.

We expect to significantly improve on last year's disappointing first half pre-tax profit of $4.0 million. To what extent we can do this remains dependent on opportunities that need to be realised through November and December. Our current first half projection is for pre-tax profit in the range of $7.0 million to $8.5 million. This is in line with our full year guidance to improve on FY18 results, and sees a return to more normal trading patterns, with a lesser second half skew than in FY18.

The FY19 first half results and interim dividend will be announced on 20 February 2019. It is also our intention to maintain our usual dividend practice.

In summary, we are operating in an exciting and fast changing market. The Data#3 group has a wide portfolio of products and services and like any portfolio, there are no guarantees that all parts of the group will outperform.

We are confident in our ability to capitalise on the increased spend on foundation technologies and new innovative solutions.

I want to personally acknowledge and thank the entire Data#3 team for their hard work and dedication over this past year. I am proud to work with a team that continues to rise to the challenge and push boundaries.

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