



GROWTH MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Ahmed Mahomed
Datacentrix Chief Executive Officer

Datacentrix is pleased to announce its annual financial results for the year ended 28 February 2009 within the context of the general challenging economic climate. Gross revenue increased by 12% to R1.5 billion and EBITDA grew 5% to R165.5 million. Both headline earnings per share and basic earnings per share increased by 18% to 61.5 cents. Strong operating cash flows were generated at R132.6 million resulting in R232.8 million cash on hand, with no interest-bearing debt. Tangible net asset value improved by 24% to 175.4 cents.

EBITDA margins were at a healthy 11% in an increasingly competitive environment.

Operational Review

Datacentrix has shown resilience in its performance over the past year, in a deteriorating economic environment, with most divisions showing reliable performances. Strategically targeted growth areas have shown encouraging development and the group will continue to cautiously invest in these offerings and services, which are closely aligned to the core focus of the businesses.

Investment in People

Datacentrix' investment in technical, sales and managerial resources remains a facet of its organic growth strategy. The group has created and is investing in a focused technology solutions competency to drive growth.

The loss of specific scarce skills remained a challenge in the second half, as companies compete to attract and retain these resources. The trend is expected to slow as negative trading conditions continue. Staff complement grew to 820 employees, an increase of 113 staff members over the year. The increase was driven by requirements in the resources and outsourcing businesses, and an investment in key technical skills in targeted growth areas.

Infrastructure and Managed Services

The year has been positive but challenging for the Infrastructure and Managed Services division, with public sector showing healthy growth. Encouraging performances were noted in new target growth areas, including the Managed Print Services, Security, Resourcing and Microsoft Software Services businesses. The division continues to be a leading provider for the supply, deployment, maintenance and support of integrated IT infrastructure.

Datacentrix has furthermore invested heavily in enhancing its infrastructure

services capability. This investment in improved operational capacity of the division is in support of its infrastructure solutions portfolio and an ever increasing client footprint. The group continues in its single minded approach to uncompromising service delivery to which its clients have become accustomed.

The division strengthened its Managed Print Services execution engine and increased efficiencies resulting in improved profitability. The business unit has won significant deals in the year under review and clients continue to show a keen interest in the value proposition provided by this offering.

The division is encouraged by the success achieved in the recently formalised Resourcing business unit, which focuses on the provision of selected, on-site resources to meet client specifications. The unit is positioned to assist its clients address the high demands placed on businesses to become cost efficient in today's challenging environment, by providing a flexible staff resourcing solution.

The Datacentrix Security business unit is updating the initial version of its biometrics security solution and is currently in the final stage of completing its second major installation. The company is encouraged by the developments in the focused Networking business unit addressing two main areas: bandwidth optimisation - dealing with solutions designed to improve bandwidth utilisation, latencies and efficiencies; and the provisioning of network infrastructure focusing on new network technologies. In addition the Enterprise Systems Management business unit provides management solutions spanning basic network management through to application management.

The Infrastructure and Managed Services division continues to ensure that it holds the highest sales, pre-sales and technical vendor accreditations, ensuring that it remains the most cost effective partner for the supply, installation and ongoing maintenance of equipment, over the entire lifespan of such equipment. This commitment to technical excellence has contributed to Datacentrix garnering a number of accolades from its vendors.

The group has met service level agreement objectives set to maintain the highest level of client satisfaction. Services focuses on assisting clients at every stage of the product lifecycle - ranging from needs determination, product evaluation, configuration, installation and support. This is in line with the continuous Service Improvement Program, which the company ascribes to in order to meet and exceed client needs and expectations.

Business Solutions

The Business Process Management (BPM) business unit remains focused on workflow and data-mining and has shown very good growth in the year under review. Datacentrix is the only Platinum Partner of Sourcecode / K2 Workflow in South Africa. The business unit develops on the latest K2 Workflow server technology called "K2 BlackPearl" and has standardised on Microsoft SharePoint as a document file repository, typically for all the electronic forms that are automated by BPM systems. The Enterprise Resource Planning business, whilst profitable, remains under pressure and it is anticipated that this will remain so in the year ahead.

The Enterprise Content Management business was adversely affected by Opentext withdrawing access by resellers to their SAP archiving solution. SAP was granted exclusive rights to sell this offering. The

business is transitioning to becoming increasingly product agnostic and services led, focused primarily on the enterprise content management and information lifecycle management space.

Clients

The group believes that Datacentrix' loyal client base can be credited to its strong value proposition, execution capability, expertise and ability to integrate offerings across all lines of business. In the context of the current economic slowdown, organisations will focus on efficiencies and driving down cost, including IT cost, to preserve bottom lines. Datacentrix is well positioned to assist its clients in this regard.

Quality Management

Datacentrix was re-awarded the Telkom Process Control Release accreditation in November 2008, for the fourth consecutive year. The certification is valid for a year and is based on ISO 9001 quality standards. Datacentrix has affirmed its commitment to quality through the focus of a dedicated department on quality awareness and efficiencies throughout the group.

The fact that Datacentrix is process driven with specific personnel focused on client satisfaction, supplier performance and execution, allows for confidence around quality, operational procedures and cost management. Each area within the organisation is measured and monitored continually against desired requirements. The Quality Committee is aligned to complement legal compliance and the group's BEE strategy.

Industry Review

Datacentrix continues to closely monitor local industry trends and the impact of the current economic climate on the IT industry nationally and globally. Many companies are cutting costs in the face of dwindling revenues. This type of rationalisation

has led to a number of South African IT companies restructuring and retrenching staff, creating opportunities in the market.

In addition, the fluctuating rate of exchange has influenced local clients, with the weaker Rand affecting the cost of technology. This combined with the deteriorating economic conditions is impacting negatively on IT priorities and spend.

Prospects

The macroeconomic environment remains challenging and uncertain, resulting in reduced visibility of future trading conditions. It is expected that demand will remain inhibited, but Datacentrix is well positioned to face these challenges. Future growth for the Datacentrix group will be principally organic, supplemented by selective acquisition of pockets of excellence in identified growth areas. The company will continue with its current strategy of growing business within existing clients, particularly in terms of the newer offerings.

The current climate has the potential to stimulate consolidation in the market, offering opportunities to access new clients in the commercial space. The focus on security will continue, specifically on biometrics and access management, whilst growth is expected in virtualisation and storage technologies. In addition, workflow has been identified as a key growth area, with cash-strapped businesses needing to operate more efficiently and cut costs. Additional areas of focus include Managed Print Services, Selective Outsourcing, Resourcing and Networking.

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