

# News Release

## **Datacraft delivers strong Q2 FY06 earnings** *Highest profit and margins in 14 quarters*

**Singapore, 10 May 2006** – Datacraft, the region's leading independent IT solutions and services company, delivered strong earnings and healthy cash generation during the second quarter of FY2006. The Group's after-tax operating profit more than doubled year-over-year to US\$5.1 million – the highest in 14 quarters – as a result of revenue growth, margin improvements and lower effective tax rate.

Including the US\$5.15 million received from an insurance settlement, the Group's after-tax profit was US\$10.3 million. The Group's cash position continued to be strong and during the quarter, US\$4.3 million was utilized in a share buyback program.

### **Financial Highlights**

<b>Second Quarter ended 31 March</b>	<b>2006 US\$ million</b>	<b>2005* US\$ million</b>	<b>y-o-y % improvement</b>
Revenue	116.9	109.0	7%
Pre-tax profit	7.4	4.0	86%
Profit attributable to shareholders	5.1	2.1	141%
<u>Including US\$5.15m insurance settlement :</u>			
Pre-tax profit	12.6	4.0	215%
Profit attributable to shareholders	10.3	2.1	382%

*\* FY05 comparatives have been adjusted to include the impact of share options expense*

**Datacraft delivers strong Q2 earnings results**

page 2 of 5

<b>First Half ended 31 March</b>	<b>2006 US\$ million</b>	<b>2005* US\$ million</b>	<b>y-o-y % improvement</b>
Revenue	237.7	212.5	12%
Pre-tax profit	13.6	7.8	74%
Profit attributable to shareholders	9.4	4.3	121%
<u>Including US\$5.15m insurance settlement:</u>			
Pre-tax profit	18.7	7.8	140%
Profit attributable to shareholders	14.5	4.3	242%

\* FY05 comparatives have been adjusted to include the impact of share options expense

"I am very pleased with our strong Q2 earnings results. Our strategic and intense focus on quality business has yielded good results with margins achieving a new high of 18.8%, the highest in 14 quarters. This is largely driven by the margin improvements from our services business, as well as our continued success in winning multi-year annuity service contracts," said Bill Padfield, CEO of Datacraft.

"Looking ahead, prospects are underpinned by a healthy order backlog valued at US\$127 million. Backlog has increased 11% or US\$13 million over the prior quarter, reflecting a significant increase in new multi-year annuity contract wins which was partially offset by a small decline in product backlog. While this may impact revenue growth in the short term, it positions us well to achieve strong margin growth from our services business. We will also continue to launch new differentiated multi-year Managed Services and expand our portfolio of Professional and Training Services."

Revenue for Q2 FY2006 grew 7% year-over-year to US\$116.9 million, reflecting growth in both hardware and services revenue. Compared to the prior quarter, however, revenue declined 3% due to lower hardware and Training Service revenues, but this was mostly offset by an increase in the higher margin Managed and Professional Service revenues.

## **Datacraft delivers strong Q2 earnings results**

*page 3 of 5*

From a geographic perspective, the Group's results reflected growth across most markets, with encouraging bottom line progress in both China and Japan.

The Group's strategic focus on quality business and margins continued to yield good results in margin performance with gross margin achieving 18.8% in Q2 FY2006, the highest in 14 quarters. On a six-month basis, gross margin improved substantially from 17% in H1 FY2005 to 18.4% in H1 FY2006. The solid performance was driven by continued margin growth in the Services business units, namely Managed and Professional Services, accompanied by some strengthening in hardware margin.

During the quarter, the Group's selling, general and administration (SG&A) expenses were US\$15.4 million or 13.2% of revenue. This is an improvement compared with 13.9% registered in the same quarter last year but slightly up from 13% last quarter.

Operating profit after-tax and minority interests level grew at an even faster pace than pre-tax profit due to a substantial reduction in the effective tax rate. For Q2 FY2006, the Group generated an after-tax profit of US\$5.1million, which represents 141% year-over-year growth and 22% sequential growth.

The Group's effective tax rate has reduced progressively from 47.1% in Q2 last year to 30.4% in Q2 this year due to the reduced losses in some countries and as a result of operational and tax initiatives.

The Group continues to generate good cash flow and maintains a strong balance sheet. The Group generated US\$8.3 million operational cash flow in Q2 FY2006 and a total of US\$23.3 million for the six months to March 2006, in addition to the US\$5.15 million insurance settlement received. Net cash and investments increased by US\$23.5 million or 21% to US\$137.2 million, compared with US\$113.7 million at the start of the financial year. During the quarter, the Group utilized US\$4.3 million to repurchase 3.8 million of its outstanding shares.

Datacraft launched two new solutions in Q2:

- **Team empowerment service** - enables companies to engage Datacraft's skilled IT personnel on a short or long term basis as an internal resource to implement, manage and support IT projects. The expertise on offer by Datacraft includes Technical Engineers, Technical Consultants, Solution Architects, Business Consultants and Project Managers. Typical projects may include infrastructure, data centre and storage and operating environment to messaging, call centre, security and network management.
- **Dynamic Desktop Deployment (DDD) solution** – automates your desktop deployments, streamlining this labour-intensive task and allowing IT personnel to deploy up to 1,000 desktops per day, at a lower fixed cost per desktop. Leveraging the capabilities of Microsoft's management tools, the DDD solution can now be automated and done remotely with minimal intervention from IT personnel. The solution is aimed primarily at medium-to-large organisations with a network infrastructure based on Microsoft Windows.

After the close of the quarter, the company announced a major new service initiative following the agreement between Dimension Data, Datacraft's holding company, and Cisco System. Starting in New Zealand, the Cisco Global Alliance will be rolled out across the Asia Pacific region by October 2006. This collaboration aims to provide joint clients with a portfolio of integrated IT professional and managed services and a single point of ownership to reduce the inherent complexities of multi-vendor contracts for enterprises. The alliance, first implemented by Dimension Data in North America in November 2004, has already benefited over 50 companies.

## Datacraft delivers strong Q2 earnings results

page 5 of 5

In Q2 FY2006, Datacraft clinched three awards at the Cisco Partner Summit 2006:

- **Asia Pacific Partner of the Year, Datacraft Asia** - Global Award category
- **Security Partner of the Year, Datacraft India** - Asia Pacific Regional Award category
- **Enterprise Partner of the Year (South Asia Region), Datacraft India** – Asia Pacific Regional Award category

The global winners were selected from a list of more than 2,800 Cisco Certified Channel Partners worldwide for their outstanding performance in 2005 and the theatre winners were selected for being the best in their given theatre. These awards recognise Datacraft's long-standing position as a key Cisco business partner in Asia Pacific and reaffirm its capabilities in implementing and supporting Cisco advanced technology solutions within the region.

### About Datacraft

**"Best Asian Systems Integrator" for fifth consecutive year - Telecom Asia**

Datacraft is the leading independent IT services and solutions company in Asia Pacific. The company helps clients plan, build and support their IT infrastructures. Datacraft combines an expertise in networking, security, operating environments, storage and contact centre technologies, with advanced skills in consulting, integration and managed services, to craft IT solutions for businesses.

A member of the Dimension Data Group, Datacraft is listed on the main board of the Singapore Exchange and is a component company of the Straits Times Index. Headquartered in Singapore, Datacraft spans more than 50 major offices and has over 1,200 employees across 13 Asia Pacific markets. More information can be found at [www.datacraft-asia.com](http://www.datacraft-asia.com)

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