



DWS

ADVANCED BUSINESS SOLUTIONS

partnering for success

DWS Annual General Meeting

Danny Wallis, CEO/MD

5 November 2008

Good Morning.

It is my pleasure to meet with you this morning to talk about the very strong position DWS, your company, is in.

Although 2008 was a challenging year, we still managed to grow 38% - 27% more than the industry average. We had a strong Q1 and Q4, however our Q2 and particularly Q3 were weaker than anticipated.

This was not due to weakening business demand; rather it was due to internal issues which have been addressed.

DWS reported:

- An increase in revenue by a very solid 38%
- An 18% increase in EBIT as a result of the revenue increase
- A 7% increase in NPAT due to accounting standards concerning share based payments
- Paying a fully franked 11 cent dividend for the year
- A stronger management team structure.

The world is currently experiencing the worst financial meltdown since the great depression. We expect that the next few years will be challenging. The current financial environment is changing daily and is extremely irrational and unpredictable. The current share price for DWS, circa 60-65 cent, does not represent the quality of the company, its history or its management.

We certainly do not underestimate the severity of the current financial crisis or the looming recession however DWS is well positioned to navigate through the crisis and emerge a stronger company. It is obvious that all companies will tighten their belts and that investment will slow, including investment in I.T. systems. There will be a contraction in the I.T. services sector as investment slows however it's not all bad news.

Why is DWS so well positioned to weather this storm?

- DWS has no debt
- DWS has streamlined processes that result in minimal administration and non billable staff
- DWS has strong client loyalty
- DWS has a combination of both project and client engagement models
- DWS has management that has navigated the company through previous recessions
- DWS has management that has proven it can and will make tough decisions as required
- DWS has a strong focus on cost control.

The DWS business model is different to that of its competitors and it is this uniqueness which assured DWS' emergence from previous downturns as a stronger and more focused company. We will all be working to ensure that we emerge from this period a more robust company and sound investment.

DWS cannot influence the size of the I.T. spend of organisations, but it can influence the amount of an organisations I.T. spend received. Therefore the challenge in a recession is to work harder and smarter to ensure that DWS increases its share of I.T. spend across all client sites.

The shift in I.T. spend will change from spending to increase bandwidth to spending to obtain business efficiencies. The focus will change from a "must have now" approach to a value proposition. The DWS single pricing policy provides the best value proposition in the industry and we will actively market this proposition to increase our market share.

The current worldwide economic crisis makes it difficult to provide guidance for the current year. Revenues for the first quarter of 2009 are up on the corresponding quarter for 2008 and to date we have experienced no slowdown in demand due to the current economical situation.

Our Sydney operation however has not performed as well we expected. Our Executive is working closely with the Sydney management team to overcome these difficulties. The cause of the weakness in Sydney is the result of a significant cost overrun for a particular project. This, together with meeting client obligations as a result of acquisitions, has impacted on the revenues for the Sydney operation.

All other geographic regions are performing at or above expected levels. As at the 30th October our billable consulting staff numbers had increased from 468 as at 30th June 2008 to 492. In the same period our non billable staff including management and the executive team decreased from 54 to 46. Non billable staff includes administration, business development, human resources, recruitment, I.T. support, quality and management.

During the year DWS initiated a share buyback to increase shareholder value through purchasing shares on market and then cancelling them. To date approximately 1 million shares have been purchased in the buyback. Our intention is to continue to purchase shares whilst the price does not represent true shareholder value and as our cashflow allows.

In 2008 we acquired both EQuest Consulting Pty Ltd (EQuest) and Strategic Data Management Pty Ltd (SDM).

DWS' strategy in recent years has included a desire to gain a foothold in the banking and finance sector. EQuest was acquired because of its strong links in this sector.

Shortly after the acquisition of EQuest, predominately a contractor based resource model, we removed the contractors and began building the client relationships using full time DWS staff. EQuest has now been completely integrated into DWS and we now no longer trade under the EQuest brand.

The acquisition of EQuest was a positive step for DWS as we have seen our market share in the financial industries increase rapidly. DWS now have 3 of the 4 major banks as clients as well as a host of other 2nd tier financial clients. As per the revenue by sector chart on page 10 of the DWS Annual Report, banking and finance now represents 16% of our revenue.

We understand that this sector is vulnerable to the current economic crisis therefore it is difficult to predict with any certainty how this sector will perform for the remainder of the year.

However, to date we have not experienced any downturn in the demand for our services as a result of the current financial crisis.

Most of the large financial institutions have initiated large scale system replacement programs. In this current environment it remains to be seen whether these programs of work will continue or be deferred until a more stable economic period. The work DWS does in the financial sector is generally not related to core banking requirements. The implementation or otherwise of these replacement systems should not impact on the work DWS is currently performing.

If the banks do proceed with their new systems, we expect to see an increase in the demand for DWS' services. Whilst the majority of the work will be done by multinationals or off-shore companies DWS is ideally suited to projects such as data conversion and application integration.

The other key acquisition in 2008 was SDM, a Microsoft Gold Certified Partner, providing Microsoft specialisations across SharePoint, Performance Management and Enterprise Project Management.

We acquired SDM to increase our exposure to both the State and Federal Government. Whilst relatively small in size, SDM had developed a strong brand presence in Canberra, Adelaide and Melbourne providing regional growth in line with DWS' strategy for national expansion.

The SDM acquisition gave SDM the much needed scalability to compete for larger projects and access to stronger relationships at all levels of Government. We do recognise that some of our competitors are reporting a slowdown in Government spending and decision making and we do respect this. DWS however does not rely on Government work putting us in the healthy position of having only a very small downside but a large upside.

The integration of SDM is almost complete and effective 1st December DWS will dispense with the SDM brand totally. As the SDM integrations near completion DWS is currently looking to sub-let the SDM premise in South Yarra.

The integration of SDM has been an intense process as we focused on strategies for managing its large client base, in particular the growth of some of its large clients. This strategy involved identifying some smaller clients that under the DWS business model would not be profitable. We have delivered upon the obligations to the smaller clients whilst staying focused on attracting Government work and large scale lengthy projects.

To assist this process of growing our Microsoft specialisation we have appointed a National Microsoft Partnership Manager whose role is to liaise with Microsoft to ensure a successful partnership.

Due to the acquisition of SDM, DWS has now some \$60 million of tender work submitted. These tenders range in value from circa \$100,000 to the tens of millions. We have already seen successful appointments on some of these tenders.

I would like to announce our intention to appoint two new non executive Directors to our board.

Trevor O'Hoy and Mr. Martin Ralston will join the DWS Board on Monday. Mr. O'Hoy is the former CEO of Fosters Limited and will bring strong business and financial skills to the group.

Martin Ralston has been involved in the information technology sector since 1970 and was with Accenture where he was a partner before retiring in 2001. Mr. Ralston will bring his experience in both the IT sector and consulting to DWS.

Whilst a recession is negative for business it also provides opportunities that otherwise would not occur. There will be consolidation in the IT industry and there will be casualties. There will be opportunities to increase market share though the fallout that will occur. During this period DWS will look for opportunities that will increase shareholder value mainly through strategic acquisitions of favourably priced competitors.

DWS 18 year history has seen increased revenue and profits every year. We recognise that this year will be one of the most challenging in our history, however all of the staff and management are working together to ensure that DWS continues to increase revenue and profits again.



I take this opportunity to thank our staff for the unbelievable work they have done in the past and I know they will continue to do in the uncertain times ahead.