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Dimension Data results ahead of the market

Group positioned in the sweet spot of IT and communications spend

London (UK) and Johannesburg (South Africa), 18 November 2009 – London and JSE-listed Dimension Data Holdings plc today announced its results for the year to end-September 2009. The results have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements in December 2009.

Highlights

- Revenue of \$4.0 billion (up 0.4% in constant currency ⁽²⁾)
- Services revenue growth of 13.0% ⁽²⁾
- Excellent performance from Managed Services, up 21.2% ⁽²⁾
- Revenue mix drives gross margin expansion to 22.5% (2008: 21.6%)
- Operating profit ⁽¹⁾ up 25.4% in constant currency to \$194.4 million
- Operating margin ⁽¹⁾ expansion to 4.9% (2008: 4.0%)
- Cash balance \$600 million, strong cash generation during the year

Financial Summary

\$'000	2009	2008
Revenue	3,973,078	4,510,640
Operating profit (before exceptional items)	194,365	182,214
Operating profit	192,893	182,214
Operating margin (before exceptional items)	4.9%	4.0%
Earnings per ordinary share (US cents) (before exceptional items)	7.6	7.4
Earnings per ordinary share (US cents)	8.0	7.7

Notes:

- (1) *Before exceptional items.*
 (2) *Before eliminating intercompany revenue and adjusted for the impact of currency movements.*

Operational summary

Dimension Data's robust performance for the year to 30 September 2009 has resulted in improved returns and strong growth in profitability.

Given the extremely challenging economic conditions that prevailed over the period the Group did well to report flat revenues overall in constant currency. Strong growth of 13.0% in services revenues drove an improvement in the gross margin and this, when combined with tight cost management, resulted in operating profit growth of 25.4%. The Group operating margin grew to 4.9%, an excellent increase on FY2008's 4.0% operating margin. A further highlight of the results is good working capital management and strong cash generation, which resulted in a closing cash balance of \$600 million.

Dimension Data Group CEO, Brett Dawson said: "The results are testament to further success in the execution of our 'Profitable Growth' strategy which we embarked on in 2005. Since then we have grown revenues ahead of the market, achieving a four year compound annual growth rate of 12.3%. Improved gross margins and careful management of our cost base has driven operating leverage with the Group operating margin widening to 4.9% from 2.1% in FY2005. Our operating profit has more than tripled to \$194.4 million and over the past five years have generated over a \$1 billion in cash from operations."

A key feature of this year's results is the excellent growth in services revenues. This was driven primarily by 19.3% growth in managed services in the Group's Systems Integration (SI) business and by revenue growth of 27.9% in Internet Solutions. Professional services revenues within SI, which tend to be more closely correlated with product revenues, increased 2.3%. Growth in services revenues offset a decline of 7.5% in product revenues, a commendable achievement in a tough market where demand was impacted by sharp cuts in capital expenditure in several of our traditional client segments.

The effective tax rate, excluding exceptional items, was 26.7% (2008: 25.9%). The Group recorded a \$11.0 million exceptional tax credit (and a \$1.5 million exceptional operating expense) flowing from the restructuring of the funding facility associated with the Campus land and buildings in South Africa.

Earnings per share before exceptional items were 7.6 cents, compared to 7.4 cents last year.

Group results were impacted by the appreciation in the average US\$ against most of the local currencies in which the Group trades, which meant that on a reported basis revenues declined by 11.9%.

"At the first signs of the global slowdown affecting our business in late 2008, we moved quickly to counteract the impact of a slower demand environment by managing and cutting costs in specific areas, most notably in the US and Asia," explained Dawson. "These measures protected profitability and helped drive the operating leverage that the Group achieved during the year. Notwithstanding the significant focus on short term cost management, we have continued to invest in areas important to the Group's longer term positioning and growth prospects."

Systems Integrations (SI) business performs well

Dimension Data achieved good performances across the majority of its Group's businesses, with the Services Integration (SI) business, which accounts for 80.6% of total revenues, performing particularly well and strengthening its competitive position.

"The SI business successfully harnessed market trends from both a technology and client sourcing perspective. In addition, the business benefited from strong growth in managed services which drove higher gross and operating margins.

"Within the SI business, the converged communications, security and Microsoft solutions lines of business all delivered good growth as our clients embraced unified communications and focused on technologies which could optimise existing infrastructure and reduce costs," said Dawson who pointed out that growth in these areas compensated for a slowdown in networking, data centres

and storage and customer interactive solutions, following cuts and delays to more capital intensive projects.

Looking at Dimension Data's SI business from a regional perspective and in the context of an environment where product revenues came under enormous pressure, especially in the US and Asia (product declined 34.5% and 23.7% respectively), all five regions delivered growth in services revenues. In addition, four out of five regions achieved significant operating profit expansion and improved operating margins," said Dawson and added that the America's region started to show a recovery in the fourth quarter of the year. Strong operating leverage was achieved in the SI business following the mix driven improved gross margin and tight control over costs.

Other Group businesses

Internet Solutions performed well over the period, with outstanding revenue growth of 27.9%. The excellent performance was driven by a clear focus on protecting and growing Internet Solutions' core connectivity and cloud based services whilst successfully building our competitive position in our newer communications and carrier services. Some pressure at the gross margin level was offset by cost efficiencies and operating leverage.

Plessey's revenues declined marginally, impacted by the slow-down in capital expenditure and infrastructure rollouts by telecommunications service providers in Africa due to the prevailing economic conditions. Operating profit was impacted by some gross margin pressure and the increased overhead base introduced in FY2008 in order to secure future growth opportunities. In response to the market changes Plessey has adjusted its cost base.

Express Data strengthened its position as a premier value added distributor in Australia and New Zealand during the period. Revenue growth of 7.6% combined with stable margins and careful cost control resulted in strong expansion of operating profit.

Services continues on growth path

Dimension Data is reaping the benefits of its investment made in its services strategy over the past four years, showing a 17.3% compound annual growth rate in services revenues over this period. Services revenues now represent 43.6% of Group revenue compared to 38.1% in FY2005.

Managed Services grew by 21.2%. This excellent performance highlights the strength of Dimension Data's Uptime branded maintenance and support service, as well as its global focus on delivery excellence. Growth was supported by our clients' focus on rationalising their own sourcing strategies, including the aggregation of support partners (particularly on a multinational level) and in selectively out-tasking IT functions.

Professional Services (PS) revenues grew 1.6% - also a good performance, with growth coming through despite the fact that some components of PS revenues are highly correlated to Product revenues.

Regions

The Australia Systems Integration business had a good year, with revenues up by 9.8% supported by good growth in all lines of business. The business benefited from the Federal Government stimulus package, and from market share gains on the back of ongoing consolidation in the Australian IT services industry. Together with Express Data, the region grew operating profit for the year by 23.6% to \$39.7 million.

Revenues in the Americas declined by 22.4% and gross profit reduced by 17.6%. Very strong revenue performances from Brazil, Mexico and Canada could not compensate for a 27.4% revenue decline in the US, where Product revenues were down by 34.5% as multinational and financial services clients scaled back on non-discretionary infrastructure spend.

Asian revenues declined by 10.5% for the year, with Services growth of 18.5% unable to offset Product declines of 23.7%, following challenging economic conditions in the region and lower product demand from multinational and financial services clients. Across the region, projects were deferred and decision makers delayed capital expenditure commitments.

The Group's European business recorded an excellent performance for the year. Revenue growth was up 3.5% under very challenging economic conditions, with operating profit expanding from \$21.9 million to \$31.7 million, and operating margin increasing to 3.2%.

The Middle East & Africa Systems Integration business had a good year, with revenues up by 8.8%. Together with Plessey and Internet Solutions, the region grew operating profit by 12.9% to \$84.5 million.

Outlook positive

Dawson believes Dimension Data is positioned in the sweet spot of IT and communications spend, and that the trends which have been driving superior growth in the Group in the past few years have the momentum to continue to drive growth in the medium and longer term.

"Dimension Data's healthy balance sheet, strong net cash balance and excellent cash generating abilities mean that the Group is well placed to be able to continue to invest to position the business for long term growth.

"The continued execution of our services strategy will be a priority for our SI business to ensure we drive the SI margin higher.

"In addition, our Network centric offerings are vital for our clients to be able to operate effectively in today's IP and Convergence powered environment where the network is increasingly the core platform for all forms of IT and Telecommunications.

"We have a strong position in the areas of unified communications, collaboration, virtualisation and managed services position us well for medium term growth. In the longer term, market developments including cloud computing and services based models such as Infrastructure as a Service provide the Group with additional opportunities for growth.

"The ongoing deregulation of the Telecommunications market in South Africa and the growth opportunities on the African continent will provide significant opportunities for IS. In addition, Express Data also has solid prospects while Plessey is well-placed to benefit from the opening up of the African continent to growth in telecommunication services.

"We are encouraged by the recent stabilisation in our end markets, however much uncertainty remains over the resilience of the global recovery. We anticipate that the market segments in which Dimension Data operates will perform better in FY2010 and that the Group will be able to deliver modest constant currency revenue growth. Dimension Data is well placed to capitalise on long term market trends. Growth in excess of prevailing market rates and medium term operating leverage remain our key financial objectives." Dawson concluded.

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About Dimension Data

Dimension Data plc (LSE:DDT), a specialist IT services and solution provider, helps clients plan, build, support and manage their IT infrastructures. Dimension Data applies its expertise in networking, converged communications, security, data centre and storage, Microsoft and contact centre technologies and its unique skills in consulting, integration and managed services to create customised client solutions. www.dimensiondata.com