**MEDIA RELEASE**

# Melbourne IT Reports First Half 2010 Results
# Board Declares 7.0¢ Dividend Fully Franked

*Profit and Cash Flow up despite challenging economic conditions in northern hemisphere and strong Australian dollar impacting international operations*
*Transformation strategy on track and on budget*

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**Melbourne IT Group Consolidated Results – Half ending 30 June 2010:**

| | | H1 2010 | H1 2009 |
|---|---|---|---|
| **Revenue** | ⇩ -6% | **$98.1m** | $104.4m |
| **EBIT** | ⇧ 8% | **$10.0m** | $9.3m |
| **NPAT** | ⇧ 11% | **$7.0m** | $6.3m |
| **Basic EPS** | ⇧ 10% | **8.8¢** | 8.0¢ |
| **Interim Dividend** | Unchanged | **7.0¢** | 7.0¢ |
| **Operating Cash** | ⇧ 74% | **$14.1m** | $8.1m |
| **Deferred Gross Margin** | ⇧ 3% | **$31.8m** | $30.9m |

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**MELBOURNE, Australia – 24 August 2010 –** Melbourne IT (ASX: MLB) today announced its half year results for the six months ending 30 June 2010, reporting earnings before interest and tax (EBIT) of $10.0 million, up 8% year-on-year. Net profit after tax (NPAT) for the first half rose 11% to $7.0 million year on year. This was achieved despite a 6% year-on-year decrease in revenue to $98.1 million.

Year on year earnings per share (EPS) increased 10% to 8.8¢ with a first half dividend of 7¢ payable, fully franked, which is unchanged from the first half 2009.

“During the first half of 2010, Melbourne IT continued to face challenging market conditions in Europe and the US, coupled with the impact of the strong Australian dollar – both of which significantly affected our revenues. However, underlying growth remains healthy, with first half revenue growing 5% year on year on a constant currency basis using 2009 foreign exchange rates, and EBIT up 14% year on year with our transformation costs excluded,” Melbourne IT CEO and Managing Director, Theo Hnarakis, said.

“Deferred gross margin increased 3% year on year to $31.8 million, with deferred revenue at a solid $55.4 million as of 30 June. On a constant currency basis, deferred revenue grew 7% to $59.3 million – again highlighting the underlying performance of the business,” he said.

“Our transformation strategy is on track, with Melbourne IT’s New Zealand operations due to go live on the new systems in the first quarter of 2011 and Australia later that year. I am pleased to report that the transformation strategy is well within budget at the end of the first half and we foresee no issue in the second half which will cause the budget to be exceeded.”

At the end of the first half, net debt remained modest at $28.9 million.

**Divisional Highlights**

**Digital Brand Services (DBS)**

- EBIT up 73% year on year to $2.6 million
- First half revenue down 11% year on year to $26.2 million due to strong Australian Dollar and challenging market conditions in Europe and the US. On constant currency basis using average 2009 exchange rates, revenue was up 6% year on year
- Brand and reputation protection first half revenue grew 25% year on year to $4.3 million
- New customers added in H1 included JB Hi-Fi, Lufthansa Systems, Tabcorp Holdings, Linde AG, Detica, and Deloitte
- Digital Brand Services is expected to outperform FY 2009 however currency pressures remain and the final result will be down on original expectations – expect full year EBIT to be in $7-8 million range

**Enterprise Services**

- Strong year on year EBIT growth to $1.6 million
- First half revenue of $17.3 million up 42% on first half 2009 result of $12.2 million
- New customers added in H1 included Thomson Reuters, TransLink Transit Authority and significant new contract with Queensland Department of Education and Training
- Pipeline and momentum remains strong. Forecasting full year result to solidly outperform 2009 revenue and EBIT

**SMB eBusiness Solutions**

- First half revenue and EBIT remained flat year on year, with revenue up 1% to $21.7 million and EBIT down 4% to $4.8 million
- Domains revenue was maintained year on year at $11.1 million while IT services revenue grew 2% year-on-year to $10.6 million
- Premium email, search engine marketing and software as a service revenue grew 10% to $3.24 million from $2.95 million year-on-year
- New high margin products, revamped hosting plans and marketing initiatives planned should combine to lift H2 result

**Global Partner Solutions**

- Despite international partner sales slowing, EBIT improved 8% year on year to $4.3 million due to focus on higher margin products and lower cost of sales
- First half revenue down 18% to $28.8 million from $35.2 million in H1 2009, hampered by strong AUD (H1 10 revenue was down 3% to $34.0 million on a constant currency basis using 2009 foreign exchange rates)
- Full year 2010 forecast contribution to be lower than 2009 as previously foreshadowed, however it is likely that the final result for the partner division will be better than original expectations

**ForTheRecord (FTR)**

- A disappointing result with first half revenue down 31% to $4.0 million year on year and no contribution to EBIT
- Facing tough trading conditions in the US where public spending has been significantly reduced and courthouses being closed to cut costs
- Executive leadership change is having positive effect and H2 pipeline is much stronger than H1 and up year on year

"Revenue from higher margin services continued to grow across the business, with our SMB, Partner and Digital Brand Services divisions all reporting growth in non-domain IT services. Sixty per cent of total revenue is now derived from IT services," Mr Hnarakis said.

"Digital Brand Services (DBS) is the division most affected by the strong Australian Dollar, which negatively impacted its revenue by more than $5 million in the first half. While we believe DBS will outperform last year's EBIT result, it will be lower than original expectations due to the currency pressure and the continued depressed markets in Europe and the US. However the long term growth potential and opportunities for DBS remain, and we are confident of seeing performance continue to strengthen."

**Outlook**

With the Australian Dollar expected to remain strong against the US Dollar and major European currencies during the second half, tight operational cost controls have been maintained to help cushion its impact. Melbourne IT also expects transformation costs incurred to be approximately $3 million in 2010.

"The difficult economic environment in the northern hemisphere has extended longer than we had anticipated. This, combined with the very strong Australian dollar against all of the currencies in the markets where we trade, means that we are now forecasting the reported net result after transformation costs for FY 2010 will be in line with FY 2009. Given that the estimated transformation costs are approximately $3 million this would mean that the underlying EBIT growth for 2010 would be approximately 10% higher than the FY 2009 results. The company expects a continuation of the strong underlying growth in 2011-12," Mr Hnarakis said.

The 2010 First Half Results presentation to shareholders is available at http://www.melbourneit.info/investor-centre/.

**ENDS.**

**About Melbourne IT**
Melbourne IT (ASX: MLB) helps organisations of all sizes to successfully do business online. Our complete portfolio of Internet-based technology services drives business effectiveness and profitability for more than 350,000 customers around the world.

The breadth of Melbourne IT's offering extends from helping small businesses build an online presence through to managing the complex technology environments of large enterprises and governments – including Internet domain name services, web hosting, online brand protection and promotion, video content delivery, managed IT services and more.

Melbourne IT's culture of integrity, innovation, collaboration and customer centricity has been built by more than 690 employees spread across 18 offices in 10 countries. Our customers include Volvo, GlaxoSmithKline, LEGO, Queensland Department of Education and Training, Société Générale, Aurecon Asia-Pacific, Coca-Cola Amatil and Twitter. For more information, visit www.melbourneit.info

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