

19 August 2008



Another strong result from Melbourne IT in first half 2008 Board declares 7 cent fully-franked interim dividend

- *Global IT services company firmly on track to deliver 6th consecutive year of growth in revenue & profit*
- *Results include contribution from VeriSign DBMS acquisition from 1 May 2008 and new Advantate JV from 14 May 08*
- *2008 full year performance forecast to exceed 2007*

Melbourne IT Group Consolidated Results:

		H1 08*	H1 07
▪ Revenue	UP ▲ 12%	\$86.7m	\$77.3m
▪ EBIT	UP ▲ 28%	\$11.6m	\$9.1m
▪ NPAT	UP ▲ 20%	\$7.8m	\$6.5m
▪ Basic EPS	UP ▲ 18%	10.09¢	8.55¢
▪ Operating Cash	UP ▲ 12%	\$13.7m	\$12.3m
▪ Deferred Gross Margin	UP ▲ 18%	\$26.8m	\$22.7m

* H1 08 numbers include VeriSign DBMS contribution from 1 May and Advantate JV from 14 May 2008

Melbourne IT Limited (ASX:MLB) has maintained its track record of strong financial performance announcing today its result for the half year ended 30 June 2008, reporting a 12% increase in revenue to \$86.7m and a 28% increase in earnings before interest and tax (EBIT) to \$11.6m half on half. Net profit after tax (NPAT) to 30 June 2008 increased 20% to \$7.8m.

"We have again delivered a strong result for our shareholders, reporting double-digit increases in revenue and profit with the majority of our divisions achieving pleasing growth during the half. In recognition of this performance, the Board has declared a fully-franked interim dividend of 7.0 cents, which will be payable on 17 October 2008. Despite continuing market volatility in recent times, we remain firmly focused on the fundamentals in managing our business," said Mr Theo Hnarakis, Melbourne IT CEO and Managing Director.

"The first half of 2008 has been very eventful for Melbourne IT and is evidence that we are actively pursuing a global growth strategy. We are not complacent about our position or historical success – we understand that to continue to succeed in a competitive global IT services marketplace we need to maintain our commitment to evolving our business and adding to our growth through acquisitions and strategic partnerships. In the first half of the year we have sought to complement organic growth by acquiring VeriSign DBMS and establishing a search engine marketing joint venture with Fairfax Digital, called Advantate."

The first half results include contributions from the newly acquired VeriSign DBMS business from 1 May 2008, namely revenue of \$5.9m, EBIT of \$0.4m, interest expense of \$0.4m and operating cash of \$0.9m. The Advantate joint venture was established on 14 May 2008 and Melbourne IT's 50% share in this start-up business delivered negligible revenue for the period and \$0.1m in losses before tax.

Basic earnings per share grew 18% to 10.09 cents against the previous corresponding period. Operating cash was up 12% to \$13.7m and deferred gross margin was also up 18% half on half to \$26.8m.

Following the VeriSign DBMS acquisition in May 2008, Melbourne IT increased its external debt position from nil to \$57.1m. The company's net cash & cash equivalents total \$23.1m, which positions net debt balances at \$34.0m.

Mr Hnarakis also said, "In the first half of 2008, Business & Consumer, Corporate & Government, Digital Brand Services (formerly Corporate Brand Services) and Reseller results were pleasing, especially in the context of a strengthening AUD/USD exchange rate, a slowing global economy and an increasingly competitive market for IT services worldwide."

Business & Consumer Division

The Business & Consumer (B&C) division increased revenue by 6% to \$21.5m for the half with contribution margin growing 13% to \$5.9m.

"B&C has delivered another solid result in a commoditised market. Importantly, despite slower growth in revenue for this division during the half, we have seen an increase in profitability. Our eBusiness Consultants and their 'hands on' approach to providing meaningful advice to our SMB customers is helping us to differentiate our offering in a competitive marketplace," Mr Hnarakis said.

Reseller Division

Melbourne IT's Reseller division delivered a slightly lower revenue result for the first half, reporting \$30.2m against \$30.8m in the previous corresponding half. Contribution margin for this division was also down slightly to \$3.6m. These results reflect the impact of a stronger AUD/USD exchange rate, which was up 14% during the half to an average of \$0.925 and reduced revenue in this division half on half by \$3m, notwithstanding a 6% growth in USD sales for the half.

Digital Brand Services (formerly Corporate Brand Services)

For the first half of 2008, revenue in the Digital Brand Services (DBS) division was up 97% to \$16.3m, with \$5.9m of this attributable to the newly acquired VeriSign DBMS business. Its contribution margin was up 719% to \$1.8m, with \$0.4m attributable to DBMS.

Excluding the DBMS contributions, revenue grew by 26% to \$10.4m and EBIT was up five fold to \$1.3m half on half, demonstrating returns from the company's investment in recent years in acquiring new customers, entering new markets and improving systems and processes.

"DBS, combined with VeriSign DBMS, is now the leading digital brand management company in the world and we are committed to leveraging our position and our expertise in this arena to continue to drive further growth. In the first half, DBS gained more than 75 new clients including Capral Aluminium, Fosters' Group, NRMA, Scania & Shieldmark Zacco."

Corporate & Government

The Corporate & Government (C&G) division grew its revenue 21% in the first half of 2008 to \$13.6m, while its contribution margin grew 52% to \$1.7m. During the half, C&G signed 96 new contracts, including Graduate Programs Australia, Pfizer and the Queensland Department of Communities.

ForTheRecord

As expected, ForTheRecord (FTR) delivered a disappointing result for the half following a period of significant change in 2007. FTR's revenue was down 25% to \$4.6m during the half, with contribution margin also down significantly to \$0.2m. The strengthening AUD/USD exchange rate impacted FTR's revenue by \$0.5m in the half. In January 2008, a new Executive Vice President was appointed to lead this division and, following a disappointing first quarter, he has overseen strengthening results in the second quarter of the year. There is much work still to do at FTR, with the focus firmly on building this division's sales pipeline, strengthening strategic relationships and improving processes and efficiency.

Outlook

"We have delivered another pleasing result in the first half of 2008 and expect to outperform our first half result at the full year. We will continue to focus on the fundamentals of our business in managing our company and driving ongoing profitable growth. From an M&A perspective, we do not expect to undertake any further large, transformational acquisitions while we bed down the integration of DBMS and finalise the integration of WebCentral's systems into Melbourne IT," Mr Hnarakis said.

"In the second half we expect that the contribution from the DBMS acquisition will be offset by amortisation and integration costs and interest on debt resulting in a negligible NPAT contribution. Advantate is expected to lose another \$1m (50% equity-accounted, \$500k) in the second half as it establishes its customer base and builds momentum. We are confident that during 2009, both DBMS and Advantate will become positive contributors to Melbourne IT's bottom line. On the strength of our core business, we are using 2008 as an opportunity to position both these initiatives as solid profit generators for the future."

Mr Hnarakis added "This is another strong financial result for Melbourne IT. We are firmly focused on the future and are not complacent. As always, given the economic and financial environment, there are challenges. We need to continue our investment in infrastructure and systems development which will allow our company to continue to scale effectively while providing our customers with improved service delivery. We will continue to maximise the opportunities presented by our global reach, our position in key markets, our brand and our expertise in the internet. We are armed with expertise and talent and committed to boosting Melbourne IT to the next level as a global IT services company."

About Melbourne IT

Melbourne IT Limited (ASX:MLB) is a world leader in the supply of domain name registration and other online solutions with a strong commitment to the delivery of high value internet services and web-based solutions to organisations of all sizes across the globe. Melbourne IT was listed on the Australian Stock Exchange in 1999 and has a network of offices in locations across the world.

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