Macquarie
CORPORATE

9 September 2003

Macquarie Corporate Telecommunications Reports Full Year 2003 Results

Key Points

- The Company achieved an EBITDA profit of $2.8 million for the year to 30 June 2003. The result, at the top end of guidance, represents a $18.4 million improvement compared to the year to 30 June 2002.
- Net loss after tax was $4.7 million, a $13.0 million improvement when compared to a net loss after tax for the previous corresponding period of $17.7 million
- Total service revenue was $234.5 million, an improvement of 2.7% compared to the year ended 30 June 2002.
- Data service revenue was $40.8 million, representing a 50% increase compared to data revenue for the year ended 30 June 2002, maintaining the trend of an improving revenue mix.
- Australian voice service revenue was $182.2 million, down by 6.32% from the year ended 30 June 2002, due largely to continued fierce competition and intense price pressure.
- The Singapore business produced revenues of $11.2 million, an increase of 67% from the year ended 30 June 2002.
- The Company maintains a strong balance sheet and generated a positive net cash flow of $4.0 million for the year.
- Capital expenditures for the period totaled $5.8 million, representing less than 3% of service revenue. It is likely capital expenditure for the year ending 30 June 2004 will normalise from these low levels, and be in the range of $8 -10 million. Additional significant capital expenditure, intended to enhance the company's strategic growth and competitive position, is under consideration.

Australian carrier Macquarie Corporate Telecommunications Holdings Limited (ASX: MAQ) today announced that – in terms of earnings before interest, tax, depreciation and amortisation (EBITDA) – it achieved profit of $2.8 million for the year ended to 30 June 2003. The EBITDA result is a $18.4 million improvement compared to the year ended 30

June 2002. Net loss after tax was $4.7 million, compared to a net loss after tax for the year ended 30 June 2002 of $17.7 million. Macquarie generated total service revenue of $234.5 million, an improvement of 2.7% compared to the year ended 30 June 2002. The Company now provides services to more than 2,350 corporate and government customers including more than 450 customers in Singapore.

In commenting on the Company's performance, Macquarie Chairman John Priest said: "The Board is encouraged by these results, but recognises we have more to do. We are continually seeking new ways to differentiate Macquarie as a nimble and flexible operator, delivering value to our customers through tailored, strategically integrated solutions and exceptional service."

Chief Executive David Tudehope said: "We are continuing the strategy to transform Macquarie into an integrated IT&T carrier that offers a full range of voice, data, on-line and mobile services which address the increasingly complex needs of corporates. The improvement in the revenue mix, with data revenues increasing, demonstrates the execution of this strategy."

The following tables summarise the revenue and EBITDA performance of Macquarie's major lines of business for the past three reporting periods.

REVENUE *(A$ million)*	Full Year 2001	Full Year 2002	**Full Year 2003**
Voice	198.8	194.5	182.2
Data	20.0	27.2	40.8
Singapore	0.6	6.7	11.2
Mobiles	-	-	0.3
Corporate Office	-	-	-
Other	1.9	7.1	-
TOTAL	**221.3**	**235.5**	**234.5**

EBITDA *(A$ million)*	Full Year 2001	Full Year 2002	**Full Year 2003**
Voice	6.6	5.5	13.0
Data	(13.5)	(11.8)	(3.3)
Singapore	(3.1)	(1.9)	-
Mobiles		-	(1.6)
Corporate Office**	(3.7)	(4.5)	(5.3)
Other	(4.0)*	(2.9)***	-
TOTAL	**(17.7)**	**(15.6)**	**2.8**

* **Represented resolution of one – off accounting adjustments and settlement of long standing commercial disputes.**

** **Represents overhead costs associated with the Company's corporate and regulatory activities.**

*** **Represents the net effect of the one-off, non-cash $10 million provision against the carrying value of the Company's data hosting facility at 31 December 2001 and a $7.1 million positive impact to earnings related to an arbitration settlement.**

Operational Review

The year ended 30 June 2003 represented a strengthening of Macquarie's position with its revenue mix changing, underscoring the growing importance of the Company's strategy to supplement its voice services with a diverse range of higher value data and online services. Data now represents more than 17% of Macquarie's service revenue.

Macquarie's data business, which provides data networking and data hosting services to Australian corporate and government customers, generated revenue of $40.8 million. This represented a 50% increase compared to the year ended June 30 2002, and contributed to the improved EBITDA performance of this business.

As Macquarie's data hosting facility, the Intellicentre, steadily builds its customer base and continues to generate revenue momentum, the encouraging trend in data revenue is likely to continue.

In its traditional Australian voice business, Macquarie generated revenue of $182.2 million in the year ended 30 June 2003, down slightly compared to 2002. The voice service market was again characterised by fierce competition and intense price pressure.

The continuing price pressure and decline in corporate voice revenue validates the Company's strategy of moving away from reliance solely on voice service revenues and diversifying into other higher margin areas. Macquarie continued defending voice margins by reducing carrier costs and controlling operating costs. Macquarie's network alliance with PowerTel continues to produce substantial, ongoing carrier cost reductions. In addition, Macquarie actively leverages its buying competencies to improve arrangements with other carriers.

Macquarie's Government Business Services group, which sells Macquarie's services to Australian Federal and State Governments, continues to contribute to overall revenues and represents a diversified market opportunity. Macquarie has recently received the Gateway Certification from the Defence Signals Directorate, a stringent security certification that recognises the procedural, physical and electronic security of Macquarie's systems. The Gateway Certification will be important for Macquarie's Government Business Services group going forward.

For example, the Australian Taxation Office recently included Gateway Certification as a compulsory requirement for the provision on Internet services and the Department of Defence will also be adopting Gateway as a mandatory standard in order to tender for business. To date, Macquarie is the only telecoms carrier to receive this prestigious security classification.

The Singapore business generated revenue of $11.2 million in the year ended 30 June 2003, an increase of 67% compared to the year to 30 June 2002. These results were achieved despite the impact of price pressure and the recent depreciation of the Singapore dollar relative to the Australian dollar. Macquarie continues to investigate opportunities to expand the service offering and further develop the Singapore business.

The Company's newest business initiative is Macquarie Corporate Mobile. Macquarie will continue to invest in 2004 in developing mobile services, an important pillar in providing a full service offering to existing and potential customers. Start-up losses of $1.6 million were incurred in 2003, largely in the second half following the launch. As the Company builds business in this competitive market segment, it is likely that the start-up losses of this new business will continue into the current financial year, with a full year's impact.

Capital expenditures for the period totaled $5.8 million, representing less than 3% of service revenue. It is likely capital expenditure for the year ending 30 June 2004 will normalise from these low levels, and be in the range of $8 -10 million. Additional capital expenditure, intended to enhance the company's strategic growth and competitive position, is under consideration.

Macquarie continues to maintain a strong balance sheet. The Company had $29.9 million in cash and no debt at 30 June 2003. The cash position has improved by $4.0 million during the year and remains strong due to improving earnings and strong management of working capital. Macquarie continues to evaluate investment options to utilise these cash balances to the benefit of shareholders.

In looking ahead to Macquarie's likely overall performance in the 2004 financial year, Mr. Priest said: "Macquarie is continuing to improve the revenue mix. Data services now account for more than 17% of total revenues, an encouraging trend which is likely to continue. We have maintained a healthy balance sheet with no debt by keeping a tight rein on costs and maintaining prudent cash-flow management. We now have a full suite of telecoms products to offer our corporate customers.

"Macquarie remains nimble, flexible and responsive to customer changing needs, and is well positioned to continue with the execution of its strategy," Mr Priest said.

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For more information, please contact:

Chris Savage, Savage & Horrigan: (02) 9268 1502 or 0404 012 266