

MACQUARIE CORPORATE TELECOMMUNICATIONS HOLDINGS LIMITED

ANNUAL GENERAL MEETING

MONDAY, 29 NOVEMBER 2004

CHIEF EXECUTIVE'S ADDRESS

In 2004 we made good progress in improving the fundamental drivers of the business. As Robert has mentioned, we maintained our strategic focus on positioning Macquarie Telecom as an integrated information technology and telecommunications carrier offering a full range of voice, data, hosting and mobile services which address the increasingly complex needs of business and government customers. It was certainly heartening to see data revenue grow as management executed its strategy of improving Macquarie Telecom's revenue mix, with an increased contribution from higher-value data and online services.

Macquarie Telecom's data business, which provides secure data networking and data hosting services, generated revenue of \$51.1 million. This represents a 25.3% increase compared with the 12 months ended 30 June 2003. Data represented more than 22% of Macquarie Telecom's service revenue for the year, and more than 24% in the second half. In the data services market, there is a well-established trend of traditional networking products evolving to IP-based networking products.

In response, Macquarie Telecom upgraded some of its internal systems, expanded capacity for the growth in customer data services and, in the final quarter, significantly upgraded its data networking assets. This upgrade strengthens the Company's capacity to handle further growth, and enhances its ability to deliver a wider range of IP-based products to its customers. As a result, capital expenditure for the period totalled \$11.3 million, representing approximately 5% of total service revenue.

As Robert mentioned, in the coming year, Macquarie Telecom will continue to invest significant resources to position the Company for further growth, particularly in IP-based products and services, both in Australia and Asia. Robert has already touched on a number of these areas and I would like now to provide you with more details. These investments will be focused on three major areas.

Firstly, the Metro Access Network. The Metro Access Network is a new generation network that will help meet our customer's increasingly sophisticated IP based as well as traditional network needs.

The Metro Access Network will deliver a full range of voice, data and IP services. The network will provide customers with leading edge managed security, reduced support costs and enhanced management and diagnostic capabilities combined with leading Service Level Guarantees.

The Metro Access Network will deliver increased speed and scalability for voice, data and Internet applications. It will provide Macquarie Telecom with a platform for faster product and service development to address the specific needs of business and government customers as they embrace the growing market trend to merge voice, data and Internet applications.

And with Macquarie Telecom's Intelligent Service Fabric, customers are provided with management tools, network and service security, real-time application management and consolidated financial reporting to provide customers with complete control and simplified administration.

The launch of the Metro Access Network is a very exciting development for Macquarie Telecom and signifies a major step in our evolution. We expect the Metro Access Network will be deployed by the end of calendar year 2005.

In summary, the Metro Access Network is consistent with Macquarie Telecom's strategy of investing in key infrastructure that will provide the company with competitive advantage. In every sense, it represents the next stage of the company's evolution.

The second area of investment involves investing in security – a key area of differentiation for Macquarie Telecom.

The evolution of convergence in telecommunications and its inherently complex electronic security requirements has been recognised by Macquarie Telecom. Macquarie Telecom has therefore invested in the necessary equipment and expertise, as well as achieving high levels of accreditation in this area.

The potential for Macquarie Telecom to differentiate itself in this market is significant. Macquarie Telecom's Intellicentre hosting business is delivering positive growth fuelled by increasing recognition by customers of the benefits of having a dedicated world-class complex hosting facility.

As I'm sure you have noticed, Macquarie Telecom recently unveiled its new logo and new name. The change in logo and in name is designed to better reflect the Company's position as an integrated information technology and telecommunications carrier.

You will see on the screen the new logo. The four overlapping circles represent the company's ability to converge voice, data, mobile and hosting technologies. It reinforces Macquarie Telecom's ability to be flexible, adapt to change and to deliver tailored, creative business solutions.

Our new name - Macquarie Telecom - is a change from the old name of Macquarie Corporate Telecommunications. It is a smaller and leaner name, and reflects the company's positioning.

The new identity is part of our evolution from a telecommunications carrier to a provider of converged communications and data solutions. The new identity is the culmination of six months work and includes changing our corporate identity, environmental graphics, website and application of the brand across all marketing and printed collateral.

Macquarie Telecom continues to promote competition in the regulatory arena as we see this as fundamental to the long-term health of the industry and its customers.

In Australia, Macquarie Telecom was a co-founder of the Competitive Carriers Coalition, an industry grouping of non-dominant providers which, over the past two years, came together on common policy and regulatory issues.

One of the achievements of the Competitive Carriers Coalition was to successfully lobby for the reduction in the cost of fixed to mobile calls terminating on mobile networks, which was unreasonably expensive to Macquarie Telecom and our customers compared to international benchmarks. Disappointingly, the three largest mobile carriers have not accepted the umpire's decision and are appealing this.

Outside Australia, in servicing its customers overseas Macquarie Telecom has also exported its regulatory skills. Specifically Macquarie Telecom welcomes the Singapore Australia Free Trade Agreement, which invokes the spirit and intent of open markets and transparent regulation to encourage the benefits of competition.

Macquarie Telecom was a co-founder of the Asia Pacific Carriers Coalition, which aims to work with governments, national regulatory authorities and consumers throughout the Asia Pacific as they develop policies and regulatory frameworks to support further competition.

Ladies and gentlemen, in summary, we are pleased with the progress made during this past financial year and are confident of Macquarie Telecom's ability to continue to deliver value into the future.

We have some critical capital and operational investment requirements to implement so as to position Macquarie Telecom to be able to fully leverage its growth opportunities. And Macquarie Telecom has a strong track record of delivering core infrastructure projects on time and on budget.

I would like to thank the many people who have supported Macquarie Telecom throughout the year – particularly shareholders, staff and our customers.

Thank you.