28 February 2006

Macquarie Telecom
Reports 2006 Half-Year Results

Key Points

- Total service revenue was $124.6 million, an increase of 9.4% compared to the six months to 31 December 2004 ("corresponding period"). Revenue for all lines of business grew.

- Data service revenue was $32.5 million, a 14.0% increase compared to data revenue for the corresponding period.

- Australian voice service revenue was $76.5 million, a 1.9% increase from the corresponding period. The increase reflected Macquarie Telecom's efforts to defend voice revenue in the face of fierce competition and intense industry wide price pressure.

- Mobile service revenue was $9.8 million, a solid 97.3% improvement compared to the corresponding period.

- The Singapore business generated revenue of $5.8 million in the six months to 31 December 2005, an increase of 7.2% compared to the corresponding period.

- Macquarie Telecom achieved an EBITDA profit of $2.0 million for the six months to 31 December 2005. The result is consistent with guidance and reflects the ongoing implementation of a major investment program to position the company for further growth.

- Macquarie Telecom's major investment program is vital to the ongoing enhancement of Macquarie Telecom's capability to meet its customers' increasingly sophisticated IP based needs.

- Net loss after tax was $2.8 million in the six months to 31 December 2005, compared to a net loss after tax for the corresponding period of $4.2 million.

Australian carrier Macquarie Telecom (ASX: MAQ) today announced that – in terms of earnings before interest, tax, depreciation and amortisation (EBITDA) – it recorded a profit of $2.0 million for the six months to 31 December 2005.

The EBITDA result is in line with expectations and guidance, and reflects a period in which Macquarie Telecom continued a major investment program to position the company for further growth. This investment is vital to the ongoing enhancement of Macquarie Telecom's capability to meet its customers' increasingly sophisticated IP based needs.

Macquarie Telecom generated total service revenue of $124.6 million, an increase of 9.4% compared to the corresponding period. The Company now provides services to more than 2,900 corporate and government customers, including more than 750 customers in Singapore.

In commenting on the Company's performance, Macquarie Telecom Chairman Robert Kaye said: " We are pleased with the 9.4% growth in total revenue and the improvement in revenue for all lines of business. The organisation has performed well in an intensely competitive and dynamic environment. We are confident the benefits of the investment program will continue to steadily materialise and we look forward to solid EBITDA momentum in the current year and beyond.

"Good progress is being made with the ongoing investment program. Our program of investing in the Metro Access Network, which commenced in 2005, is continuing in 2006. This network is meeting our customers' increasingly sophisticated and converging IP based needs, as well as traditional network needs.

"We have also continued to invest in our established security services and our corporate branding," he said.

Chief Executive David Tudehope said: "Macquarie Telecom continues its strategic transformation 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 our corporate and government customers.

"This transformation particularly focuses on data services, whilst at the same time defending voice revenue and profitability, and providing more mobile services to our installed customer base," he said.

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

REVENUE *(A$ million)*	1st Half 2004/5	2nd Half 2004/5	**1st Half 2005/6**
Voice	75.1	73.1	76.5
Data	28.5	30.8	32.5
Singapore	5.4	5.4	5.8
Mobiles	5.0	7.3	9.8
TOTAL	113.9	116.6	124.6

EBITDA *(A$ million)*	1st Half 2004/5	2nd Half 2004/5	**1st Half 2005/6**
Voice	4.0	4.4	4.5
Data	(0.9)	0.6	0.4
Singapore	(0.5)	(0.4)	0.1
Mobiles	(0.6)	(0.5)	(0.1)
Corporate Office	(2.9)	(2.5)	(2.9)
TOTAL	(0.9)	1.6	2.0

Operational Review

In the six months to 31 December 2005 Macquarie Telecom delivered revenue improvements in all lines of business. Total service revenue was $124.6 million, an increase of 9.4% compared to the corresponding period.

Macquarie Telecom's data business, which provides data networking and data hosting services to Australian corporate and government customers, generated revenue of $32.5 million. This represented a 14.0% increase compared to the six months to 31 December 2004. Data now represents more than 26.1% of Macquarie Telecom's service revenue.

Data recorded an EBITDA profit of $0.4 million. Data profitability was in line with expectations and continued to be impacted by investments in IP based products and services, and investment in enhancing the depth and level of data and security expertise at Macquarie Telecom.

In its traditional Australian voice business, Macquarie Telecom generated revenue of $76.5 million in the six months to 31 December 2005, up 1.9% compared to the corresponding period. The voice service market was again characterised by intense competition and industry-wide price pressure. The continuing pressure of price and product substitution in the voice market reinforces the need for the company to continue reducing reliance on voice service revenues and diversifying into other higher margin areas. The substantial investment program currently being implemented is an important element of executing this strategy.

Mobile service revenue was $9.8 million, a strong 97.3% improvement compared to the corresponding period. Mobile service is an important element in Macquarie Telecom's full service offering and part of the company's strategy of offering bundled solutions to customers that take care of all telecommunications requirements.

The Singapore business delivered an encouraging performance, generating revenue of $5.8 million in the six months to 31 December 2005, an increase of 7.2% compared to the corresponding period. Macquarie Telecom, via its Singapore business unit, has commenced offering data services across Asia to meet the expanding needs of its regional customers.

David Tudehope said: "The Australian telecommunications industry is going through a number of important reviews by the Minister and the regulator. These reviews will determine the incentives for investment by competitive carriers such as Macquarie Telecom, as well as the future shape of the industry. Macquarie Telecom is encouraged by the initial direction of these reviews."

Capex and Guidance

Capital expenditure for the half was $9.2 million, of which approximately $4 million related to the Metro Access Network. Macquarie Telecom will complete the role out of the Metro Access Network in the second half of calendar 2006, and expects the total capital investment for this project to be approximately $9 million, in line with expectations. Of the $9 million, $2 million will be spent in the 2007 financial year.

Mr Kaye said: "Macquarie Telecom is continuing to invest in IP based products and services, as it consolidates the platform to build future growth and profitability. Recurring core capital expenditure is expected to be approximately 5% of revenue, reflecting this investment in IP infrastructure, differentiated security products and customer growth.

"The company confirms it has available to it external asset backed funding facilities totalling $23 million. This will comfortably cover the company's investment requirements.

"Macquarie Telecom expects that the fuller effects of the investment program will emerge next financial year. We expect EBITDA for the second half of 2006 to exceed that achieved in the first half of 2006 and up to double the first half result," he said.

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For more information, please contact:

Chris Savage, Savage & Horrigan: (02) 8281 3231 or 0404 012 266