30 August 2006

Macquarie Telecom
Reports 2006 Full-Year Results

Key Points

- Macquarie Telecom achieved a full-year EBITDA profit of $4.5 million for the twelve months ended 30 June 2006, an improvement of $3.9 million on the twelve months ended 30 June 2005 ("corresponding period"). This result is within guidance with all lines of business achieving EBITDA profitability.

- Total service revenue was $249 million, an increase of 8% compared with the year ended 30 June 2005.

- Data service revenue was $66.8 million, a 12.6% increase compared with the corresponding period.

- Australian voice service revenue was $149.3 million, a 0.8% increase from the corresponding period. Voice services contributed 60% of overall group revenue, down from 64% a year earlier, reflecting Macquarie Telecom's changing focus towards higher-margin products and services.

- Mobile service revenue was $21 million, a strong increase of 71.7% on the corresponding period.

- The Singapore business generated revenue of $11.9 million, an increase of 9.4% compared to the corresponding period.

- Macquarie Telecom has completed the build phase of the Metro Access Network. The benefits of the investment program are beginning to flow through to earnings.

- The Company maintains a healthy balance sheet with $16 million in cash and cash equivalents at 30 June 2006 and funding options in place to meet future commitments.

Australian carrier Macquarie Telecom (ASX: MAQ) today announced that earnings before interest, tax, depreciation and amortisation (EBITDA) rose to $4.5 million in the year ended 30 June 2005 up from $0.6 million in the corresponding period.

The EBITDA result was in line with expectations, reflecting early gains from Macquarie Telecom's significant investment program that has positioned the company for future growth. The investment program has been vital in enhancing Macquarie Telecom's ability to meet its customers' increasingly sophisticated IP-based needs.

Total service revenue of $249 million was 8% higher than the previous corresponding period. Macquarie Telecom continues to grow its customer base now servicing more than 3,000 corporate and government customers across the region.

Macquarie Telecom Chairman Robert Kaye said: "The result shows Macquarie Telecom is delivering on its strategy, with all areas of the business profitable on an EBITDA basis. The mobile and data business units performed strongly, while voice services held up well in an environment of lower prices. The EBITDA result was in line with expectations and we're confident the benefits from our investment programs have begun to flow through to the bottom line."

Chief Executive David Tudehope said: "Our revenue mix continued to improve, with data services contributing more in percentage terms as Macquarie Telecom continues to evolve into an integrated IT&T carrier with a focus on higher margin areas. This full range of voice, data, online and mobile services is critical to addressing the complex needs of our corporate and government customers.

"Macquarie Telecom is continuing to defend its voice revenue and profitability, while increasing its focus on data services. At the same time, the company's mobile unit has developed into a profitable, complementary business stream that augments our product offering."

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)*	Full Year 2004	Full Year 2005	**Full Year 2006**
Voice	161.5	148.2	149.3
Data	51.1	59.3	66.8
Singapore	10.1	10.9	11.9
Mobiles	4.1	12.2	21.0
TOTAL	**226.9**	**230.5**	**249.0**

EBITDA *(A$ million)*	Full Year 2004	Full Year 2005	**Full Year 2006**
Voice	13.3	8.4	8.1
Data	4.2	(0.3)	0.8
Singapore	(1.0)	(0.8)	0.3
Mobiles	(2.4)	(1.1)	0.5
Corporate Office	(6.1)	(5.5)*	(5.2)
TOTAL	**7.9**	**0.6***	**4.5**

*(Full Year 2005 EBITDA has been revised from $0.7m to $0.6m reflecting adjustments required by the first time adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)).

Operational Review

Total service revenue was $249 million, an increase of 8% compared to the corresponding period.

Macquarie Telecom's data business, which provides data networking and data hosting services to corporate and government customers in Australia, generated revenue of $66.8 million, up 12.6% from the corresponding period. Data now represents 26.8% of group service revenue.

The build phase of the Metro Access Network is complete. By placing our corporate clients traffic over its infrastructure, the Metro Access Network is delivering increased speed and scalability for voice, data and internet applications.

EBITDA from data was $0.8 million, compared with a loss of $0.3 million in the corresponding period. The data business won a number of new hosting clients during the period, including contracts with Fairfax Business Media and NRMA Motoring & Services.

Macquarie Telecom's established voice business generated revenue of $149.3 million, an increase of 0.8% from the previous full-year period. The voice services market again came under intense price pressure, reinforcing Macquarie Telecom's ongoing strategy to reduce reliance on voice service revenues and focus on higher margin businesses, such as data. The investment program has been an important element in this strategy.

Mobile service revenue rose 71.7% to $21.0 million. Mobile is an important element in Macquarie Telecom's full service offering and part of the company's strategy of offering bundled solutions to customers. Macquarie is offering its customers new sophisticated and secure mobile data products.

The Singapore business delivered an improvement for the second straight year, generating revenue of $11.9 million, an increase of 9.4%.

Regulatory Framework Continues to Evolve

Regulatory oversight in the telecommunications sector is a key driver to maximising consumer, business and economy-wide benefits.

Macquarie Telecom is now starting to see clarity around access pricing with the Federal Court confirming the Australian Competition and Consumer Commission's approach to calculating charges. The industry will also want to see greater transparency and accountability by Telstra with the implementation of the operational separation regime.

Capex

Capital expenditure for the full year was $14.8 million, in line with the previous 12-month period.

Macquarie Telecom has completed the build phase of the Metro Access Network. Total capital investment in the infrastructure build is expected to be approximately $9 million, in line with expectations and previous guidance. Of the $9 million, approximately $6 million was spent in the 2006 financial year with the remaining $3 million to be spent in the first half of the 2007 financial year.

Mr Kaye said: "The Metro Access Network is a new generation network that is delivering a range of voice and data services helping to meet our customers' increasingly sophisticated and converging IP-based, as well as traditional network, needs."

The company has $16 million of cash and cash equivalents and funding options in place to meet future commitments.

Guidance

Macquarie Telecom Chairman Robert Kaye said: "The foundations have been laid for future growth and profitability and the benefits of these investments are beginning to flow through to group earnings. Profitability in 2007 is expected to continue its solid growth curve."

"An update on progress for the first half FY07 is expected to be given at the 2006 Annual General Meeting", Mr Kaye said.

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