MACQUARIE TELECOM GROUP LIMITED

ANNUAL GENERAL MEETING

TUESDAY, 28 NOVEMBER 2006

CHIEF EXECUTIVE'S ADDRESS

Thanks Robert, and welcome shareholders.

The 2006 financial year marked an important step in Macquarie Telecom's evolution into an integrated IT&T carrier focused on higher margin areas. The most significant part of our investment program has been completed and Macquarie Telecom is entering a period when the benefits of that program will increasingly flow through the business.

Macquarie Telecom achieved EBITDA of $4.5 million for the year, in line with guidance. Significantly, all areas of the business made a positive contribution to EBITDA as the early benefits of our investments had a positive impact on our earnings. Macquarie Telecom is clearly delivering on its strategy of migration to higher-margin businesses, and the company has now laid a solid foundation for future profitability.

Our revenue mix continued to improve, with both data and mobile experiencing strong growth and contributing more in percentage terms than during the previous twelve month period.

I would now like to share with you 2 client case studies to bring to life these changes

One of our customers is the Civil Aviation Safety Authority (CASA). Under a 3 year arrangement, Macquarie Telecom provides CASA with Secure Internet Gateway Services, anti-virus protection, intrusion detection and anti-spam services, all via Macquarie Telecoms dedicated managed hosting and security facility, the Intellicentre.

As the first telecommunications carrier to achieve Defence Department Gateway Certification, Macquarie is best placed to give assurance to customers such as CASA that it is best placed to safeguard its networks, emails and internet access. By continuing to invest in its systems, processes and people Macquarie is able to continue to meet these standards.

Mannway Logistics, a company that offers comprehensive logistics solutions, developed an in-vehicle computer system to communicate with its drivers. Finding a reliable carrier and secure wireless technology to provide the communication platform for this system was essential. This case study demonstrates the move to mobile data that is gathering pace and will be important in the future

Mannway chose Macquarie Telecoms GPRS Virtual Private Network solution, which is able to provide Mannways system with secure, always on connectivity across Australia. This gave users constant secure access to Mannways data network, its corporate applications and the internet.

Strong demand exists with Macquarie Telecoms customer base for GPRS VPN Services as well as other mobile data services – all enable customers, such as Mannway, to work smarter and avoid unnecessary costs.

The completion last year of the construction phase of the Metro Access Network will assist us with our strategy of migration to higher-margin IP based services. By placing our clients on to the network's infrastructure we will be able to deliver increased speed and scalability for all applications. This in turn will help improve our data offering.

We will continue investing in our portfolio of hosting and IP-based products and developing our expertise as we consolidate the platform for future growth and profitability. We do so from a healthy position, with $16 million of cash on hand at the end of June and funding options in place to meet any further investment commitments.

I will now turn to the broader industry context. During the last financial year the majority owner of Telstra, the Federal Government, set in train its timetable to sell down its Telstra shareholding. This has triggered a sustained lobbying effort on the part of Telstra to wind back deregulation generally and reduce oversight by the Australian Competition and Consumer Commission in particular.

Macquarie Telecom has been an active player in the successful push for the maintenance of deregulation, especially in relation to the prices Telstra charges for renting the copper network known as the unbundled local loop.

Also during the period, the Federal Government announced the detail around Telstra's operational separation regime. Macquarie Telecom supports the broad principles around increasing the transparency and accountability of the dominant operator. In particular, we advocate measures that provide:

- stronger 'operational separation' between Telstra Wholesale and Telstra Retail businesses;
- stronger anti-discrimination provisions relating to price and non-price issues; and
- reduced 'gaming' or stalling incentives.

As with past years, Macquarie Telecom has maintained its leadership role in policy debates and the regulatory processes that effect suppliers and consumers of telecommunications services, as ultimately, customers will benefit from our increased competitiveness. It is pleasing that despite the pressures exerted by some in the sector, sound regulatory principles have generally prevailed.

Ladies and gentlemen in conclusion, Macquarie Telecom's focus for the year ahead is on delivering the highest standards of customer service across its full range of telecoms services, including fixed line voice, mobile, data services and data hosting.

The company aims to be differentiated, nimble, flexible and responsive to meet the requirements of today's business and government customers. The infrastructure investment program delivered during the last financial year will hold us in good stead to achieve those goals.

In closing, I would like to express my thanks to the entire Macquarie Telecom team for their dedication during the past year and to express my gratitude to our shareholders, staff and suppliers for their ongoing support.

Thank you all for being here today. I look forward to the year ahead and speaking with you next year. I will now hand back to the Chairman Robert Kaye.