MACQUARIE TELECOM GROUP LIMITED

ANNUAL GENERAL MEETING

FRIDAY, 22 NOVEMBER 2013

CHAIRMAN'S ADDRESS

Ladies and gentlemen, good morning. My name is Robert Kaye, the Chairman of Macquarie Telecom Group Limited, and I would like to extend a warm welcome to shareholders at the Annual General Meeting for 2013.

INTRODUCTION OF BOARD

I would like to introduce you to the Board Members here with me this morning:

David Tudehope – David is co-founder and Chief Executive of Macquarie Telecom.

Aidan Tudehope – Aidan is co-founder of Macquarie Telecom and is the managing director of Macquarie Hosting.

John Palfreyman – John joined the Board in July 2004 and is chairman of the Audit and Risk Management Committee and a member of the Corporate Governance, Nomination and Remuneration Committee.

Anouk Darling – Anouk joined the Board in March 2012 and is a member of the Audit and Risk Management Committee and the Corporate Governance, Nomination and Remuneration Committee.

Peter James – Peter joined the Board in April 2012 and is a member of the Audit and Risk Management Committee and the Corporate Governance, Nomination and Remuneration Committee.

I would also like to introduce Richard Lutterbeck, the Company Secretary, and Michael Simmonds our Chief Financial Officer.

BUSINESS OF MEETING
I will now take a moment to outline this morning's agenda. First you will hear an address from me and then from David. We will give you a brief overview of Macquarie Telecom's recent performance and overall business strategy. Then we will proceed to the ordinary business of the meeting.

ORDINARY BUSINESS
We will consider three items of ordinary business:
1. The receipt of the financial statements and accompanying reports;
2. The adoption of the remuneration report for the year ended 30 June 2013; and
3. The re-election of John Palfreyman as a Director.

OTHER BUSINESS
There has been no notice of other business validly given by any member under the Corporations Act 2001.

NOTICE OF MEETING
The notice of meeting was sent to all members. Can I take it that the notice of meeting convening this meeting is to be taken as read? Thank you.

MINUTES OF THE PREVIOUS GENERAL MEETING
The minutes of the previous general meeting of members of the company, which was the Annual General Meeting held on 23 November 2012, have been approved by the Board and signed by the Chair. The original minutes are tabled and are available for inspection by any member wishing to see them.

And now to the Chairman's Address:-

Once again, thank you for coming today. This is my tenth AGM as Chairman.

Macquarie Telecom's full year result for fiscal 2013 reflects the impact of a year of significant investment for future growth in which we expanded our data centre footprint, growing our presence in Sydney and Canberra and further developing our Cloud Computing capabilities

The significant investment for future growth undertaken during the year included the expansion of our data centre capacity at Intellicentre 2, completing the construction of Intellicentre 4 in Canberra, and further developing our Cloud Computing capabilities.

These data centre expansions enable the company to take full advantage of current and future growth opportunities and capitalise on the demand for our Hosting services across both our corporate and government customer segments.

Shortly I will hand over to Chief Executive Officer, David Tudehope. But before I hand over to David, I would like to briefly review the past year and outline what the year ahead holds for the company.

Macquarie Telecom delivered a net profit after tax of $11.3 million for fiscal 2013, down 42.1% on the record performance in fiscal 2012. This result was impacted by the combination of:

(i)   Realisation delays from some of our larger contracted Corporate and Federal Government customers;
(ii)   A flat revenue performance in our Managed Hosting business, caused by price reductions and the incremental costs associated with investments in automation, service assurance and other staff costs; and
(iii)   The planned consequence of the significant capital expenditure program executed over the past two years, resulting in increased depreciation and amortisation charges and reduced interest revenue.

Total service revenue for the year was $206.2 million, with our revenue mix continuing to improve, and our higher margin Hosting business once again making an increased contribution to total service revenue year on year.

Macquarie Telecom's Hosting business revenue grew by 3.3% when compared to the previous corresponding period, contributing $60.5 million, or 29% of total service revenue.

Our Telco business, consisting of Data, Voice and Mobile services, delivered $145.7 million in revenue and an EBITDA profit of $29.4 million, down 5.9% on the previous corresponding period.

We declared a fully franked final dividend of 12.0 cents per share, with the total dividend for fiscal 2013 being 24.0 cents per share fully franked.

Capital expenditure for fiscal 2013 was $51.5 million, of which approximately $29 million was spent on the expansion of Hosting capacity in Sydney and Canberra and approximately $22.5 million on business as usual capital expenditure.

We exited the year in a strong financial position, with a robust balance sheet. We have a $50 million working capital facility in place to support strategic growth opportunities, of which $9 million was drawn as at 30 June 2013. Combined with strong operating cash flows, Macquarie Telecom is well positioned to take advantage of future organic growth, and, should they emerge, inorganic growth opportunities.

Outlook

EBITDA profit for the first half of fiscal 2014 is expected to be between $12 million and $14 million. We are anticipating strong growth in the second half of fiscal 2014 and will provide full year guidance with the release of the half year result in February next year.

Depreciation for fiscal 2014 is expected to be between $24 million and $26 million. The increase on last year being primarily attributable to depreciation associated with Intellicentre 2 expansion and Intellicentre 4.

I am pleased to announce that due to continued customer demand the Board has approved the fit out of the 2nd Data Hall and installation of the 3rd megawatt of IT load at Intellicentre 2 in Sydney. This project is expected to be completed in the first half of fiscal 2015 at a cost of approximately $11 million of which $6 million is expected to be spent in the second half of fiscal 2014.

Capital expenditure for fiscal 2014 is therefore expected to increase from previous guidance of $30 million to be approximately $36 million.

To conclude ladies and gentlemen, Macquarie Telecom has a highly skilled and experienced management team which is executing the company's growth strategy effectively. We enter the new financial year confident about our strategies, and believe that our significant investments in data centre capacity and Cloud Computing, will provide the platform for continued growth.

I will now hand over to David Tudehope, Chief Executive of Macquarie Telecom.