

ASX Announcement

19 June 2014

**Macquarie Telecom Announces
Earnings Guidance Update for 2014 Full-Year Results**

Macquarie Telecom (ASX: MAQ) (the Company) today announced revised earnings guidance for the full year ended 30 June 2014.

Following industry trends Macquarie Telecom's dedicated managed hosting customers are progressively moving from its higher cost dedicated managed server infrastructure offering to its lower cost Virtual Private Cloud offering, a virtualised shared server infrastructure environment. This technology migration provides its customers with leading edge technology, faster service and enhanced online management controls at a reduced cost. It also allows Macquarie Telecom to reduce its ongoing capital cost base as dedicated infrastructure is replaced with more efficient shared infrastructure.

The speed of this migration has been greater than anticipated over the past six months putting downward pressure on Hosting earnings for the half. Over time it is expected that the cash flow impact of the migration to the lower cost Virtual Private Cloud offering will be offset by the reduced capital cost base required to support these products.

Macquarie Telecom's Mobiles business has also experienced faster than anticipated customer migration away from its higher margin offerings to its lower margin platforms in order to take advantage of greater mobile network coverage and performance. The Company's multi carrier offering is now starting to gain traction with Mobile revenue expected to grow in fiscal 2014. The company expects this shift in Mobiles margins to stabilise in the first half of the 2015 fiscal year with the momentum in revenue growth set to continue.

As a result of the impact of the technology migration in the core managed hosting business and the lower than anticipated mobile margins in the second half, the Company's earnings before interest, tax, depreciation and amortisation (EBITDA) is expected to reduce from previous guidance to a flat half on half result for fiscal 2014 with EBITDA profit now expected to be between \$25 million and \$27 million.

Significant progress has been made in the second half of fiscal 2014 to provision and commence realising the revenue streams of the large Federal Government customers won under the Australian Government's Lead Agency Secure Internet Gateway program. It is anticipated that the delivery of Secure Internet Gateway services to the contracted Department of Agriculture, Department of the Prime Minister and Cabinet and the Department of Treasury agency clusters in Intellicentre 4 will be completed in the first quarter of 2015 as opposed to the end of fiscal 2014.

Macquarie Telecom will release its results for the year ended 30 June 2014 on 28 August 2014.

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For more information, please contact:

Michael Simmonds

(02) 8221 7870 or 0406 382 119

Richard Lutterbeck

(02) 8221 7032 or 0402 487 171

About Macquarie Telecom

Macquarie Telecom is Australia's leading integrated Managed Hosting, Cloud and Telecommunications Company. Working with and supporting some of Australia's best-known organisations, Macquarie Telecom is a full service hosting provider offering managed dedicated servers, managed co-location, and managed private, hybrid and public clouds. Our fully owned, Australian based data centres are the most secure and accredited data centres in Australia with ISO27001, PCI Compliance, DSD Gateway and ASIO Intruder Resistant accreditation. Macquarie Telecom's offerings are underpinned by world-class customer care which is delivered by our fully owned and managed customer service centre, MacquarieHUB. Macquarie Telecom is best placed to help transition organisations to the new online NBN era.

Head office, Level 20, 2 Market Street, Sydney 2000

www.macquarietelecom.com