

MACQUARIE TELECOM GROUP LIMITED

ANNUAL GENERAL MEETING

FRIDAY, 20 NOVEMBER 2015

CHIEF EXECUTIVE'S ADDRESS

Thankyou Peter, and welcome shareholders. I'm David Tudehope, Chief Executive of Macquarie Telecom.

Peter has given you a brief overview of Macquarie's recent performance and financial highlights.

I would now like to take this opportunity to give you an update on developments at Macquarie Telecom during the past year and our overall business strategy.

I am pleased that our strategic and operational plan, resulting from the completion of our infrastructure expansion program and a review of the company's business structure during the financial year, has resulted in a return to growth in EBITDA during the financial year.

During the year we implemented a new company structure differentiated by their value proposition, competitor environment and skill sets required to support customers' needs and requirements, namely Hosting, Government and Telecom. An improvement in net sales performance and a growth in revenue and EBITDA has been experienced in the second half of the fiscal year as the new strategy gains traction.

Our strategic focus for the current year will centre on continuing the growth in Telco revenue which began in the second half of fiscal 2015 and on continuing the development of the Hosting product offering. Specifically, this will be continuing to drive increased performance in the core managed Hosting division by leveraging the industry move from dedicated managed server infrastructure offerings to lower cost Virtual Private Clouds and continuing to increase Secure Internet Gateway revenue and introduce other products to existing Government customer agencies.

An important tenet of the company has been our continued focus on world's best customer service. Our industry leading Net Promoter Score (NPS) of +56 for the second half of the fiscal year is a measure of our success in this area. We are seeing the NPS metric being increasingly demanded by customers who are now understanding that at last they have a way of measuring the customer service promise before they join. We have observed an improvement in customer retention and price degradation and I am confident that this will translate to further improve sales performance as we leverage this strategic advantage and continue to maintain our NPS above +50 across all business segments.

We are committed to advocating a fair tax system which limits global companies from artificially shifting profits offshore for tax avoidance purposes and recognise that our sustainable tax contributions are important to public finances and the social programs they are required to fund. This commitment extends to our transparency in that the average effective tax rate for the 3 most recent years in which the tax consolidated group has been paying income tax has been approximately 23%; however in light of our recent investment and research and development activities, for the current year, after claiming depreciation and research and development tax offsets, the net income tax liability was nil.

Due to the continued industry trend towards Cloud Computing we are committed to developing our offerings in this area, including hybrid cloud through our new strategic partnership with VMware, as this firmly positions the company for future growth.

The final technology mix and rollout program of the National Broadband Network (NBN) is becoming clearer, and the rollout continues to gather momentum. While this is bringing the challenges of migration for all in the industry, we believe increasing bandwidth speeds will elevate the importance of mission critical web applications in business and fuel growth in Hosting. In addition, the NBN open access model means Telco competition is focused around customer service and innovation in product and services rather than infrastructure, which is beneficial for Macquarie Telecom and our customers and aligns with our strong focus on leading the industry in customer service. We intend to embrace the opportunities the NBN offers our customers for higher speed business broadband at more affordable prices.

In closing, I would like to express my gratitude to the management team and Macquarie Telecom staff for their dedication and hard work during the past year and thank our business partners, customers and shareholders for their ongoing support.

Thank you all for being here today. I look forward to the year ahead. I will now hand back to the Chairman Peter James.