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Half Year Results to 31 December 2006

Sydney Wednesday 28 February 2007: The Directors of People Telecom Limited (ASX/NZX: PEO) announce the half yearly results of the group and an overview of the company's current performance.

People Telecom commenced a program of internal reorganisation and process improvement during the first half of 2006-2007 to position the consolidated entity for stronger results going forward.

At the recurring gross margin level the consolidated entity recorded a recurring gross margin of \$13.4m (24.5%). This is an increase over the prior corresponding period in both dollar and percentage terms.

During the second half of the financial year the consolidated entity will benefit from reduced wholesale costs for ADSL and mobile phone services, following the recent signing of new agreements with Telstra and Optus.

In summary:

- Consumer grade recurring revenue grew by 14%.
- Mobile recurring revenue grew by 5%. Average recurring revenue per user remains high at \$95.
- Fixed voice revenue decreased by 8% from the prior corresponding period to \$30.3 million.
- Business grade recurring data revenue grew by 12% due to continued strong demand for business grade IP Virtual Private Networks and co-location services.
- Equipment and service establishment revenue fell by 15% mainly due to setup costs being either absorbed or spread across contracted periods.

The growth in recurring gross margin for the consolidated entity was driven by a combination of:

- The benefits of the major supply agreement signed with Telstra in June 2006 improving fixed voice margins (up from 20.6% to 22.2%).
- Improved recurring mobile margins by 0.8 percentage points.
- Consumer grade data recurring margins remaining steady as retail price declines have been matched with savings at the wholesale level.

Work continues on a wide-ranging program to improve operational efficiencies and internal processes. This is designed to further improve customer service, maximise customer retention, generate profitable growth and put the consolidated entity on a stronger competitive footing.

The consolidated entity reported a net operating cash outflow for the period of \$1.9m. This was driven by:

- the timing of wholesale supplier payments (where in selected instances seven months of charges were paid in this period); and,
- delays in the receipt of re-contracting fees during the period in which a new mobile supply agreement was being negotiated with wholesale suppliers.

Other key factors driving the overall result include:

- The one-off costs of discontinuing the ADSL-2 broadband service and migrating customers to alternative products.
- Additional customer care costs were incurred. This has now been corrected through the recruitment of new staff and the implementation of improved systems and procedures.

For further information, please visit <http://www.peopletelecom.com.au> or contact:

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Appendix 4D

Half yearly report Half year ended 31 December 2006

PEOPLE TELECOM LIMITED ACN 009 273 152
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Results for announcement to the market

					\$A'000
(2.1)The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities	Down	2%	to		54,417
(2.2)The amount and percentage change up or down from the previous corresponding period of (loss) from ordinary activities after tax attributable to members.	Down	115%	to		(777)
(2.3)The amount and percentage change up or down from the previous corresponding period of net (loss) for the period attributable to members.	Down	115%	to		(777)
(2.4) It is not proposed to declare or pay any dividend in relation to the period.					

Brief explanation of Results

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Other key factors driving the overall result include:

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- Additional customer care costs were incurred. This has now been corrected through the recruitment of new staff and the implementation of improved systems and procedures.

	December 2006	December 2005	Growth period on period	% Growth period on period
Recurring Revenue for the half year				
Fixed Voice	29,801,642	32,534,261	(2,732,619)	(8%)
Mobile	9,344,549	8,881,325	463,224	5%
Business Grade Data	3,976,758	3,538,841	437,917	12%
Consumer Grade Data	8,922,405	7,835,653	1,086,752	14%
Total	<u>52,045,354</u>	<u>52,790,080</u>	<u>(744,726)</u>	<u>(1%)</u>
Recurring Gross Margin for the half year				
Fixed Voice	6,609,906	6,711,378	(101,472)	(2%)
Mobile	2,953,044	2,734,098	218,946	8%
Business Grade Data	1,774,499	2,002,819	(228,320)	(11%)
Consumer Grade Data	2,060,207	1,795,109	265,098	15%
Total	<u>13,397,656</u>	<u>13,243,404</u>	<u>154,252</u>	<u>1%</u>
Equipment & Service Establishment for the half year				
Revenue	<u>2,371,289</u>	<u>2,786,418</u>	<u>(415,129)</u>	<u>(15%)</u>
Margin	<u>(54,096)</u>	<u>747,542</u>	<u>(801,638)</u>	<u>(107%)</u>

Net assets

Net tangible assets per security with the comparative figure for the previous corresponding period.

31 December 2006	31 December 2005
1.3 cents	1.4 cents

Details of entities

There are no entities over which control has been gained or lost in the half year ended 31 December 2006.

Dividends

There were no dividends declared or paid during the half year ended 31 December 2006, nor are any planned to be declared in relation to the half year ended 31 December 2006.

As there is no dividend declared or planned to be declared in relation to the half year ended 31 December 2006, the shareholder approved dividend reinvestment plan is currently not in operation.

Details of associates and joint venture entities

There were no associated companies in which equity was held, nor joint ventures in which the group participated.