



## **People Telecom Limited**

(ACN 009 273 152 ASZ / NZX: PEO)

### **Address by the Chairman, Mr Barry Hamilton, to the People Telecom Annual General Meeting, Sydney, 21 November 2007**

Good morning ladies and gentlemen,

The year ending June 2007 was one of transition for People Telecom Group of Companies. The Group has undertaken, and continues to undertake a comprehensive transformation program of network, operational and process development and redesign to drive efficiencies in the business.

For the year ending June 2007 the Group recorded a profit after tax for the year of close to \$2 million.

The Group ended the year with a cash position of \$7.3 million.

While the profit, following the sale of our Perth Fibre Business during 2006-07, is pleasing, the financial performance from continuing operations was disappointing. Excluding the profit from the sale of the Perth business, and a tax credit, the EBITDA of the continuing operations for the year was a loss of \$1,420,513 and the operating loss before tax was \$1,737,868.

The revenue performance during the year illustrates the Group's continuing increased focus on data services, particularly to our Small-Medium Enterprise (SME) customer base. Recurring business grade data revenues jumped by 94% and are expected to continue a strong growth path.

Mobile recurring revenues grew by 2%, despite the effect of strong competitor campaigns offering 3G services. In October People Telecom launched 3G and 3G-based wireless broadband services, which will add further competitive robustness to our mobile offerings.

With revenue of \$57.9 million for the year, the Group's fixed wire business continued to provide a strong contribution to the overall gross margin for the Group.

However the EBITDA loss for the year underlines the importance of completing the transformation program – a program to which the Directors and the management team are fully committed. This will enable an optimised structure, more efficient internal operations, a stronger focus on higher margin operations and a reduction in costs, both at the wholesale supply level and in terms of overall operating expenditures.

The process includes the re-negotiation of our contractual and pricing arrangements with our wholesale suppliers, which will deliver improved margins for People Telecom. We are re-engineering our product offerings and core processes.

The Group is also in the process of a re-organisation which will see the business aligned more appropriately to meet our customers' requirements and ultimately provide greater efficiency and higher returns.

The Group anticipates it will report an EBITDA loss for the first half in the order of \$1.9 million. In announcing this result we will provide a further update on the transformation program and the outlook for the remainder of the financial period.

The difference between the 2005-06 half-year results and the anticipated outcome for the first half of 2006-07 is due to a combination of a number of factors including:

- customer churn in the mobile service base as a result of customers moving to 3G services on alternative networks (a problem that People Telecom is now able to counter following our launch of 3G services in October);
- retail price pressures and the resulting downward pressure on operating margins – a challenge that is being addressed by the renegotiation of wholesale supply arrangements and by more rigorous action around revenue and margin assurance across the product range;
- our investment in staff for the customer retention program and the lead-time for that program to positively impact customer churn rates; and
- the need to ensure improved operating efficiencies via reduced overhead costs and improved cost-to-manage ratios.

The Directors believe that the performance in the second half of 2007-08 will be a significant improvement on the first half, and are confident that the completion of the transformation process will position the Group to be profitable during 2008/09 and beyond.

Thank you for your attendance today and for your ongoing support of People Telecom. I look forward to updating you on our progress early in the new year when we release our half-year results.

I now hand over to our CEO, John Stanton, for a presentation on the period under review and our operational strategy & financial outlook.