

# People Telecom

## 2008 Annual General Meeting CEO Presentation 19th November 2008

# Group Overview

- Launched Telecommunications Services: February 2000
- Full service telecommunications product and service provider
  - Voice (mobile on all 3 major networks and fixed services on Telstra network)
  - Data (ADSL, ADSL2+ Blackberry, Wireless Broadband and VPN)
- Business grade VoIP
- SME & Home Office focus
- Billed Services in Operation: >100,000
- Customers (as at Oct 2008): 42,000
- Employees: 99

# Capital Structure

- 290 million shares currently on issue
- Current market cap AUD\$7.3 million at 2.5c per share
- Cash at end Oct 2008 AUD\$4.2 million

# Highlights of FY08

- Turnaround strategy bore fruit, with a \$2 million EBITDA improvement in 2H vs 1H and cash-flow positive
- Total operating revenues of \$93.6 million, including a 7% growth in data revenues to \$24.1 million
- Restructuring for improved efficiency saw operating costs decline to \$23.3 million, from \$24.3 million in prior year
- Recurring gross margin for fixed voice usage improved to 37.3% from 35.6%, with Long Distance improving from 36% to 42%
- Recurring gross margin for mobile services increased to 34.2%, from 31.9% in prior year and was on average above 40% for last three months of the financial year
- Recurring gross margin for data improved to 25%, from 22.8% in prior year and for Hosted IP product was above 40%

# Recent Milestones

- Successful renegotiation of all major supply agreements to improve gross margins and product reach
- Transition to becoming a multi-network MVNO – new mobile supply agreements signed with Vodafone & Telstra
- Optus 3G mobile services now sourced via M2 Telecommunications at stronger margins
- Acquisition of ValueNet Hosted IP Voice Provider and development of new services
- First Australian service provider to wholesale ADSL2+ broadband services on Telstra network
- Outsourcing of call centre operations to Sonnet in Australia and Manila – improved service levels and anticipated full-year savings of \$560,000

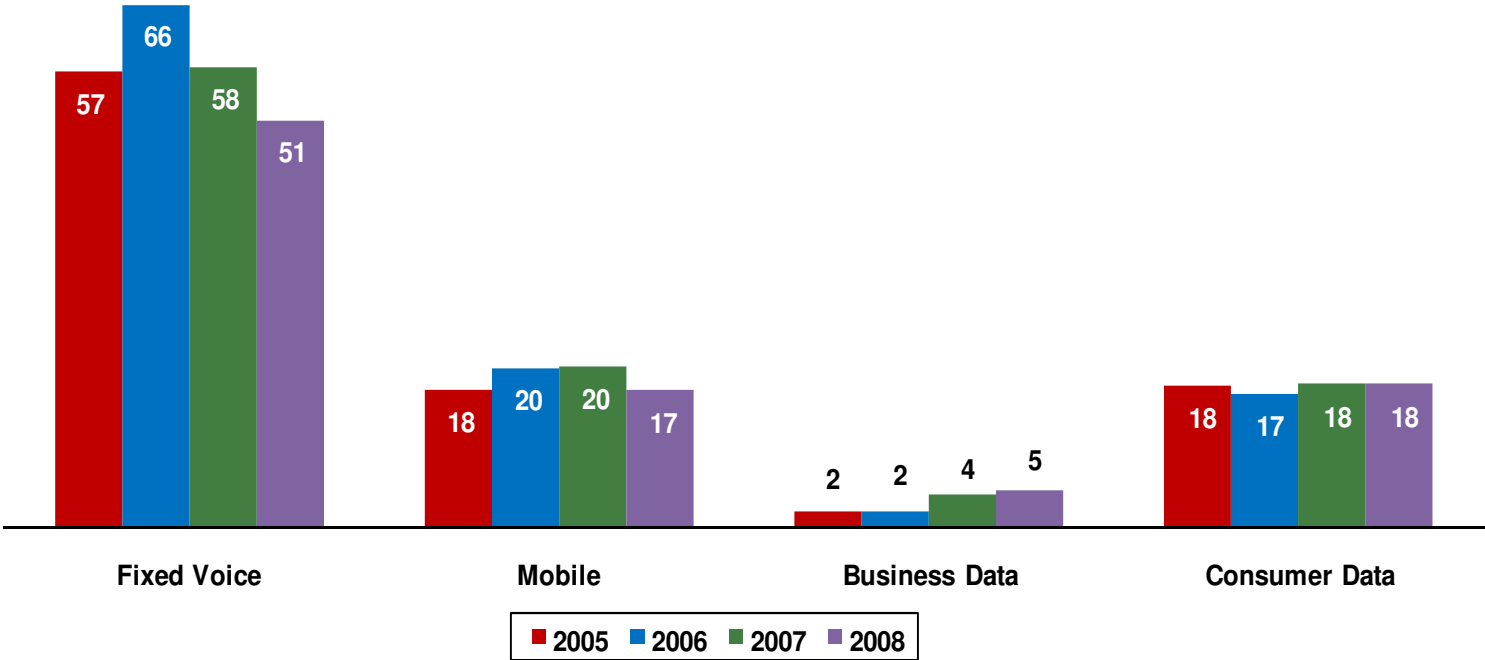
# Key Financials

	2007 \$m	2008 \$m	Change	
			\$m	%
Revenue	100.9	93.6	(7.3)	-7.2%
Gross margin	22.9	22.8	(0.1)	-0.4%
%	22.7%	24.3%	1.6%	
Operating costs	24.3	23.3	(1.0)	-4.1%
% of revenue	24.1%	24.9%	-0.8%	
EBITDA	(1.4)	(0.6)	0.8	59.5%
% of revenue	-1.4%	-0.6%	0.8%	
Net loss from ordinary activities before income tax	(1.7)	(0.6)	1.1	136.7%

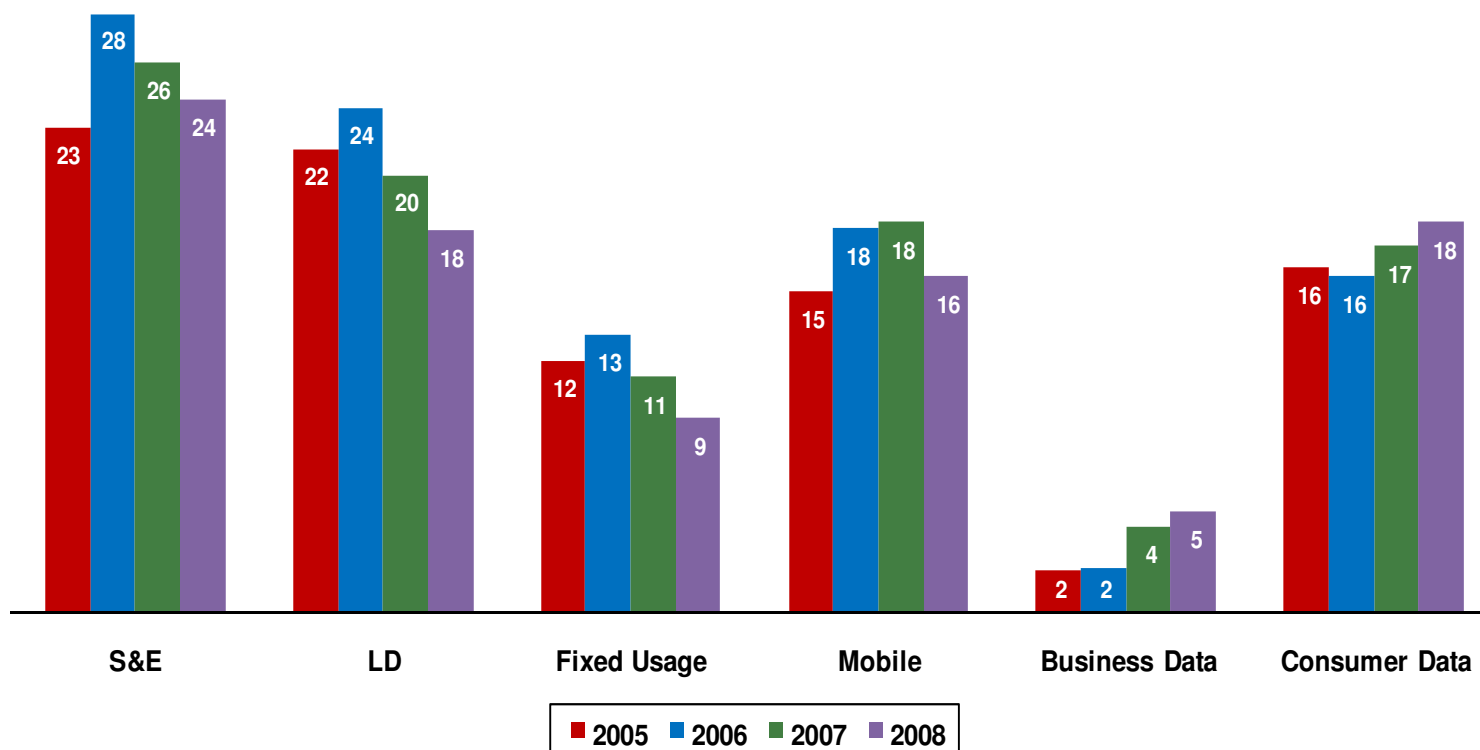
# Financials 1H vs 2H

	1H-08 \$m	2H-08 \$m	Change	
			\$m	%
Revenue	48.7	44.9	(3.8)	-7.2%
Gross margin	11.2	11.6	0.4	3.6%
%	23.0%	25.7%	2.7%	
Operating costs	12.5	10.8	(1.7)	-13.6%
% of revenue	25.7%	24.0%	-1.7%	
EBITDA	(1.3)	0.8	2.1	161.5%
% of revenue	-2.7%	1.8%	4.5%	
Net profit(loss) from ordinary activities	(1.3)	0.7	2.0	153.9%
Cashflow from Operations	(2.1)	0.5	2.6	123.8%

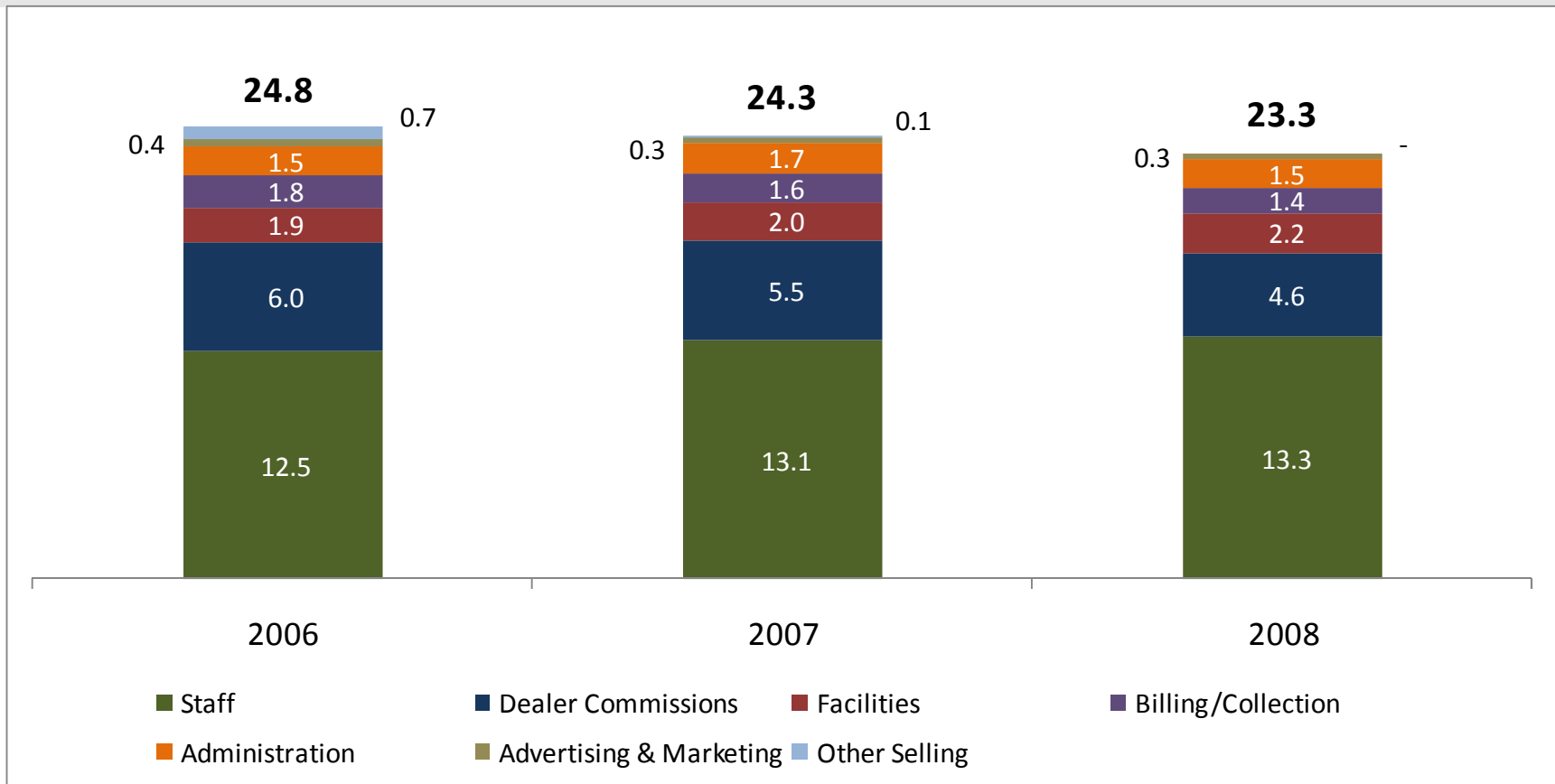
# Revenue by Product



# Recurring Revenue by Product



# Operating Expenses



# 2008-09 Outlook

- People Telecom is EBITDA positive and positioned for profitable growth throughout 2008-09
- Improved and expanded product suite with improved & sustainable margins – unprofitable lines of business have been exited
- Recent acquisition of People Connect Enhanced Voice System platform (formerly ValueNet) will improve data margins and enable launch of Direct Connect and Virtual Key Systems products
- Multi-network mobile offerings at improved margins give customers increased flexibility and choice
- ADSL2+ broadband services on the Telstra network will contribute to continuing growth in data services.
- Operating costs will continue to fall, including through outsourcing of call centre operations to Sonnet.