



## **Half Year Results to 31 December 2005 Revenue up 15.5%**

**Sydney Tuesday, February 21, 2006:** 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 and expected performance.

People Telecom's growth success is driven by its ability to develop sophisticated sales channels, whether it is a direct sales force in the capital cities or a substantial national Indirect Channel Program. This is evidenced in the half year result where revenue grew 15.5% over the prior corresponding period to \$55.5 million.

The company focuses on small to medium enterprise customers where its sophisticated service platforms deliver high service levels as evidenced by a number of recent awards.

Significant recent achievements include:

- The entering into a strategic alliance with Australia's Downer EDI and China's Huawei who jointly have been chosen as the preferred vendor for the supply of People Telecom's modems and network equipment within its national IP Network.
- A new agreement executed with Telstra Wholesale delivering substantial margin benefits for the balance of the financial year.
- An agreement with NEC to gain access to Nextep's DSLAM network enabling the group to roll out second generation broadband services and business grade IP services in 2006, increasing its margins on these products.
- Recently winning a contract to provide co-location services and domestic voice telecom services to AT&T Inc. the largest telecommunications company in the United States and one of the largest in the world.

The half year to 31 December 2005 financial result discloses:

- Strong organic revenue growth to \$55,576,498, an increase of 15.5% over the prior corresponding period;
- Earnings before interest, tax, depreciation and amortization of \$88,598 driven by a number of non-recurring items amounting to \$601,165 (see below);
- Strong Cash Collections over the half year of \$60 million, an increase of 23% over the prior corresponding period;
- A gross margin of 23% that will be maintained in the second half.
- Heavy investment in sales in the first half that will be evident in revenue in the 2006 calendar year.

The earnings before interest, tax, depreciation and amortization was reduced this half due to a number of items that will not recur in the second half leading to a very much improved EBITDA for the full year. These one off items include a theft/loss of \$381,165 and the costs of the establishment and subsequent closure of an advertising department of \$220,000.

In addition, a significant cost reduction program was completed in December, the benefits of which will be reflected in the second half results.

*Operational Review:*

The group continues its drive for organic growth mainly from the small to medium business sector. The group will also consider growth by acquisitions when appropriate opportunities arise.

Growth in customer numbers continues in all product lines - fixed voice, mobile and data (including VoIP) with sales being delivered by its 46 strong sales team in Sydney, Perth, Brisbane and Melbourne and over 100 within its national indirect sales channels. Sales have jumped as a result of further investment in and growing effectiveness of the sales channels with:

- 1,500 broadband applications now signed per month
- 1,000 business accounts signed each month for voice
- 600 business mobiles signed each month

Customers are contracted for a minimum of 12 months with 55% contracted for 24 months or longer.

### *Segment Review:*

Revenue by segment demonstrates the company's ability to manage and deliver effective national sales channels.

Segment Revenue for the half year	December 2005	December 2004	Growth period on period	% Growth period on period
Fixed Wire	33,071,531	27,487,418	5,584,113	20%
Mobile	10,099,620	7,829,786	2,269,834	29%
Data	12,405,347	12,815,552	(410,205)	(3%)
Total	55,576,498	48,132,756	7,443,742	15%

Mobile revenue grew 29% to \$10.1 million with the monthly average revenue per user of \$99. Business mobile customer numbers grew to a total of 16,000 in the half. The roll out of mobile data started later in the period with these new products expected to increase the average revenue per user (ARPU) in the next financial year.

Fixed Wire revenue grew 20% to \$33.1 million over the period with the more profitable products such as inbound and outbound long distance increasing with the higher sales volumes. Business grade voice over internet (VoIP) is now part of our product offerings and revenue from this source will grow in the future.

Data revenue reduced marginally by 3% to \$12.4 million. This was adversely impacted by ADSL revenue which fell by \$0.9m (9%) as a result of the market moving towards free or subsidised connections. This has reduced our non recurring revenues in data while total ADSL tails in use has increased to 34,000 in the half.

Business grade data revenue continues to climb due to strong demand in business grade IP Virtual Private Networks. In particular, co-location and fibre sales have driven up corporate data revenue in the half. In addition, the company's data centre offering co-location, backup and other services is reaching capacity and is to be expanded in the coming months.

### **Outlook for the full 2006 Financial Year:**

Revenue for the full 2006 financial year is now projected to be \$115 million as a result of two key factors being:

- Non-recurring data revenue has reduced as a result of the discontinuation of broadband set up fees for many long term customers : and,
- the group has reduced its expansion in the consumer market as its strategy to focus on business customers intensifies

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 2005

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	Up	15.5%	to	55,576
(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	1474%	to	(361)
(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	1474%	to	(361)
(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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**Net assets**

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

<b>31 December 2005</b>	<b>31 December 2004</b>
1.4 cents	1.3 cents

**Details of entities**

There are no entities over which control has been gained or lost in the half year ended 31 December 2005.

**Dividends**

There were no dividends declared or paid during the half year ended 31 December 2005, nor are any planned to be declared in relation to the half year ended 31 December 2005.

As there is no dividend declared or planned to be declared in relation to the year ended 30 June 2005, 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.