

PowerTel 2002 Annual General Meeting Presentation

Miller Williams, Chairman PowerTel Limited

Good afternoon ladies and gentleman, I welcome you to PowerTel's Annual General Meeting.

First let me introduce you to your members of PowerTel's Board of Directors; Brian Finn, Richard Griffin, Paul Broad and Stephen Butler. Frank Semple is not able to be with us today and John Bumgarner resigned from the Board in March and has not been replaced. Shane Allan is PowerTel's Chief Financial Officer and Company Secretary.

We will have two presentations this afternoon followed by a question and answer period. After we answer your questions, we will conduct the general business of the meeting.

I will focus my presentation this afternoon on the events which led to our recent announcements relating to PowerTel's major shareholder and proposed new funding.

In 2002, the Australian telecommunications marketplace was in turmoil. In spite of this, 2002 proved to be another year of positive growth for PowerTel in respect to customers, revenue and operating cash flow. PowerTel more than doubled its revenues and increased its market share.

The company became EBITDA positive in June and has continued to have EBITDA positive results in every month since June. Stephen Butler, PowerTel's Chief Executive Officer, will provide more details and specifics on the operational aspects of the business following my presentation.

During 2002, some of the worlds largest companies entered bankruptcy protection as the downturn in the industry continued. One of these businesses was PowerTel's major shareholder Williams Communications.

In March 2002, prior to its bankruptcy filing, Williams Communications provided a \$16 million loan to PowerTel and agreed to defer collection of a \$5 million account receivable to demonstrate its continued support of PowerTel.

Williams Communications entered into bankruptcy in April 2002 and subsequently completed its restructuring in November 2002 when it re-emerged as WiTel Communications.

PowerTel's bank syndicate continued its support during 2002. Additional advances were made in September and October. Waivers were granted for minor breaches of 4th quarter EBITDA covenants. They also relaxed future covenants. The bank debt is currently \$78.5 million.

All of these events had a negative impact on the perception of PowerTel by the share market. Hence our share price declined in 2002 from 21.6 cents to 10 cents at the time of last years Annual General Meeting and to 6.3 cents by the end of 2002.

In spite of a troubled market and the difficulties of Williams Communications, existing and new customers signed new business in 2002 of over \$39 million in annualised contracts. By having our own network we were able to deliver our services faster, more cost effectively and with better post-sales service than our competitors.

PowerTel has minimised capital expenditure throughout 2002. To enable continued growth for customer connections and traffic, we have continued to expand our network through incremental capital expenditure. Our capital expenditures in 2002 were less than \$20m. We project that we will need to make capital expenditures of less than \$12 million in 2003.

While we continue to add to our existing network to connect new and expanding customers, we also re-evaluated the book value of our network assets that had been deployed over the past four years.

In keeping with Australian Accounting standards and actions taken by others in our market, early in 2003 we announced a one-time non-cash asset write-down of \$106.9 million. This accounting adjustment resulted in an overall loss for 2002 of \$162 million, and reducing our total equity to \$76 million. The positive affect of the write-down is that future depreciation and other costs will be reduced by nearly \$15 million per annum thereby improving future net income.

We are already seeing revenue and EBTIDA growth in 2003 as evidenced by the first quarter financial numbers. In addition the company has added new sales of in excess of \$20 million of annualised contracts.

At the last AGM in May 2002, we indicated that we would continue to seek ways to strengthen PowerTel's balance sheet. To this end, we pursued several different alternatives with the help and advice of ANZ, Toronto Dominion and JP Morgan.

After discussions with several potential investors, we announced on May 9th an in-principle conditional agreement with Roslyndale to replace WilTel as the major shareholder and to provide new financial support for the company.

The immediate response by the stock market increased the share price over the past two weeks to a high of 14 cents on May 22.

In summary, the agreement reached with Roslyndale, subject to shareholder and bank approval, would replace WilTel as the major shareholder. Roslyndale will purchase all the ordinary shares and convertible preference shares held by WilTel. This represents 48% of the total equity in PowerTel.

In addition Roslyndale will acquire the \$16 million subordinated debt and \$5.3 million intercompany debt held by WilTel. This debt will be converted into ordinary shares at 2.42 cents per share in the future.

To increase the cash reserves for PowerTel, the Roslyndale Syndicate will also underwrite a 1-cent renounceable 1.5:1 rights issue to raise \$16.3 million. The transaction must have the formal approval by PowerTel's and WilTel's bank syndicates followed by PowerTel shareholder approval.

Roslyndale, PowerTel and WilTel executed formal documentation on May 15th for the transaction. PowerTel will send to all shareholders a Meeting Notice and Independent Experts' Report relating to these transactions. The General Meeting is scheduled to be held on July 2, 2003 at the Menzies Hotel at 10:00am.

The Roslyndale Syndicate is a group of Australian investors who are supporting the company by injecting additional capital and reducing debt by 20%. At the end of the transaction, the company will have in excess of \$18 million of cash on hand and eliminated its debts other than the \$78.5 million to its senior syndicated banks. Those banks have already indicated their support for this transaction and formal approval is expected prior to the shareholder vote. You will be provided with a PriceWaterhouseCoopers independent experts report indicating their opinion that the transactions are fair and reasonable to shareholders.

PowerTel's major customers have already indicated their support for these transactions.

In summary, while I am disappointed by PowerTel's declining share price in 2002, I am pleased PowerTel's continued growth has attracted new investors. The market seems to have recognised that we have positioned the company to have the financial resources it will need for the future. I believe that PowerTel's customers and shareholders will share my optimism.

I would now like to hand over to Stephen Butler to talk about the operational aspects of the company.

Stephen Butler, Chief Executive Officer

Thank you Miller, Good afternoon ladies and gentleman.

2001 saw PowerTel transfer emphasis from building our network to building our customer base. In 2002 we continued this progress and more than doubled our revenue.

Customer numbers, customer services and the resulting network traffic increased each month, and over the full year there was a dramatic turnaround in the company's position as our total revenue for 2002 climbed to over \$102 million, up over 100% year on year.

Our revenue growth was consistent throughout the year assisted by the execution of the Macquarie Corporate Alliance, whereby we migrated traffic to PowerTel's voice network. Further revenue growth resulted from over \$39 million in new customer contracts.

This graph illustrates the growth quarter on quarter and the transition from our reseller revenues from Spectrum to the higher margin core business we've been focussed on building for the past two years.

Our business remained focussed on two distinct market segments.

The first has been direct sales to corporate and government customers. These customers typically demand an owner operator to provide their telecommunications services and we compete with incumbent operators to win some or all of the voice, data and internet services requirements a customer may have. Further, we offer flexible solutions tailor made for a customer's particular application.

In this market segment, our revenue increased by 47% rising up to \$33.9 million for the year. Our customer numbers increased to 294 up from 232 at the end of 2001.

Our key to winning and keeping these customers emanates from the high quality services we provide across the PowerTel fibre optic network.

Our products and services are consistently rated highly by our customers. Our network availability exceeded 99.98% uptime across all products throughout the year. Our service provisioning and speed of delivery, when delivering new or additional services in days not weeks. And our ease of doing business. Our customers are looking to either replace or grow their existing telephone lines, internet services and data services with a cost effective alternative. As you can see from this chart, our customers are purchasing utilising an even mix of voice and data services.

Our second key market segment is the service provider or wholesale market. Our largest increase in revenue throughout the year came from this segment with over 300% growth and contributing 60% of total revenue.

Our service provider customers have grown by over 100% to total now over 80 customers. Our customers include over two thirds of all service providers in Australia and many off-shore customers seeking alternative access to the dominant local access incumbents.

PowerTel offers the same quality products to our service provider customers and hence we've seen that market segment not only grow in numbers of customers but increasing levels of traffic. Voice traffic per customer increased by 140% and IP traffic by over 80%.

Another milestone in early 2002 was the successful implementation of the Macquarie Corporate Telecommunications Alliance. This strategic alliance has provided both companies with substantial benefits and resulted in considerable revenue and EBITDA for PowerTel.

We look forward to continuing to work closely to build our relationship with Macquarie Corporate throughout 2003 and into the future.

Increased sales, particularly from higher margin data products, and tighter control of costs brought about a dramatically improved EBITDA position for PowerTel last year. The company became EBITDA positive in June and has continued to be positive since then. Yet despite tight cost controls, we have not compromised on our service or quality to our customer base.

An EBITDA profit of \$3.1 million for the second half of 2002 offset to a large extent the \$5.5 million loss in the first half, resulting in an full year EBITDA loss of \$2.4 million. This was a substantial improvement from the \$43 million EBITDA loss in 2001.

We have continued this trend during 2003, and have achieved positive EBITDA of almost \$3 million up to April.

We have continued to win new business into 2003 now having signed over \$20 million of contracts with customers year to date. Combined with last years performance, that equates to over \$60 million of new business won in a "difficult market" and with a significant question mark over us regarding our financial stability and ownership structure.

Feedback from our customers in response to our recent announcements regarding our funding and a change to our shareholder structure has been very positive. From the customer's perspective, with the questions about our viability eliminated, the ability to choose PowerTel becomes easier for the decision makers. We look forward to repairing the PowerTel brand and ensuring that our customers will be able to readily choose PowerTel with the confidence that we are here for the long run.

We will continue to work closely with Macquarie Corporate to identify additional synergies and opportunities to drive network utilisation and subsequent revenues and profits. We continue to seek other opportunities in the market place. A recent example is that PowerTel has entered into an alliance with British Telecom where PowerTel will provide services under a partnership arrangement in association with British Telecom's global data network.

We will continue to grow our customer base in the corporate, government and service provider market by creating new products and services matching customer requirements. Examples of this are that we launched PowerTel Teleconferencing and PowerTel Ethernet, both products identified as needed by our customers.

Following six months of product development, we launched our DSL strategy in January. This involves providing PowerTel services directly to our customers via existing copper infrastructure from over 20 network exchanges connected by the PowerTel fibre optic network. We have already deployed 12 of these exchanges and expect to double that in the coming months.

Two important drivers are leading this initiative: firstly expanding the reach of our network to customers in a cost effective manner and secondly expanding our market reach into a new customer segment for small to medium enterprise customers.

Our network reach allows us to bring more of our existing and prospective corporate, government and service provider customers to our network cheaper and faster than in building our own fibre network for each customer.

A new product line has been developed, PowerTel Access Advantage, which is a bundled voice and Internet package specifically for the small to medium business market. This product offers a bundle of 4 phone lines with a high speed Broadband Internet connection for a monthly charge starting at \$199.00.

PowerTel Access Advantage allows these customer to cut their ties and line rentals to the incumbent and for PowerTel to provide local, national and international phone services while having a simultaneous high speed data connection.

Both initiatives are exceeding our expectations in the number of new small to medium size customers signed up as well as tripling our existing addressable market for corporate customers.

I would like to thank our customers, employees and suppliers for their support over the last 12 months.

I would also like to thank you our shareholders for your continued support during this trying time for the company and for the telecommunications industry.

With your support we have been able to grow PowerTel to be a viable alternative to the incumbent carriers. We believe PowerTel has a strong future, particularly with the support and expertise of our new Australian investors.

I will now hand over to Mr. Williams to take questions on either of the presentations.