

Market Update: 1H FY2013 Result

- Pending release of statutory accounts for the 1H FY2013 result, and having reviewed the initial management accounts, the Company anticipates EBITDA for the half year of the order of \$4million.
 - The final figure will include the usual range of adjustments and provisions, including for certain legal disputes and as a result of the completion of the recent acquisition of the goTalk business.
 - While underlying earnings for the half are anticipated to be lower than reported EBITDA, the underlying position is expected to be maintained over the full financial year, balancing:
 - future structural decline challenges which remain in the Company's core calling card business, and
 - a number of growth opportunities to offset any such decline
 - The cash outcome for the half year (and the FY2013 full year) will be substantially lower than reported EBITDA, given ongoing investment in restoring the balance sheet, and outstanding obligations under the Vendor Note issued to former goTalk shareholders.
-

29 January 2013: The Board of Tel.Pacific Limited (ASX:TPC) today advised that it anticipated earnings before interest charges, tax, depreciation and amortisation (EBITDA) for the Company of the order of \$4million, for the six months to 31 December 2012.

The Company has not yet finalised its statutory accounts for formal release to the market. Those accounts will be provided to the ASX following the usual review by the Company's auditors towards the end of February 2013. However, on an initial review of the management accounts, the Board believed it appropriate to provide this guidance as to likely earnings of the business over the period.

This was particularly the case given the operational changes and volatile market environment facing the Company over the recent past, including:

- a. significant changes in the market, with a number of competitors selling competitive products at or near cost;
- b. a long term investment by the Company in pre-paid mobile product development, and the impact of that investment on balance sheet reserves;
- c. the acquisition of the goTalk business, resolution of outstanding disputes with most of the former goTalk shareholders, and the sale of the goTalk 'wholesale business' operations to MyNetFone, recently announced to the market; and
- d. opportunities in front of the Company in relation to the ongoing exploitation of its intelligent switch (known as the MRTM platform) and its mobile products.

As the accounts have not yet been finalised, the reported result will likely vary to some degree from the initial management account figures.

For example, the Company is finalising the degree to which it takes certain provisions for outstanding legal matters (including a dispute with a former employee, and with former wholesalers of the

Company's products, and in connection with a preference claim brought against the Company by the liquidators of Bill Express Limited). In each case, the Company is defending (or pursuing) the relevant actions diligently, but it may be prudent to take certain amounts to account in relation to any adverse outcomes. Similarly, the business has a number of contracts left on foot from the rationalisation of the goTalk business – for example, leases which are no longer necessary for the Company's operation. Again, management will consider the appropriate degree of provisioning and include those amounts in the reported statutory numbers, together with all other relevant and necessary adjustments.

Nonetheless, based on the information to hand, the Board believes it is likely that the reported accounts will include EBITDA of the order of \$4million. While it is not yet possible to accurately determine a reasonable estimate of the underlying profitability of the business over the half year, those earnings will be lower than the reported result (for example, they will not include wholesale revenues in future, although they will include an improved interconnection regime). The Company will provide an indication of underlying earnings at the time of its formal announcement, and anticipates that the business is on track to maintain its operational performance over the full year to maintain that level of underlying earnings.

The cash outcome for the half year (and for the full year for financial year 2013) will be substantially lower than the reported EBITDA, given ongoing investment in restoring the balance sheet to a strong position, and in light of all other outstanding obligations – including the Vendor Note issued to former goTalk shareholders.

Management remains confident that it will continue to operate the business effectively in what is still a very competitive market, with rapidly shifting dynamics. To offset what are clear pressures from certain segments of the market in structural decline, the Company will focus on growth opportunities such as those available from its MRTM platform, and extensive mobile developments.

The Board will update the market if the currently anticipated position changes materially, but expects that the next relevant announcement will be at the time of the usual report to the market of the 2013 financial year half year accounts, towards the end of February 2013.

For more information please contact:

Charles Huang, CEO
Tel.Pacific
+61 (2) 8448 0663
www.telpacific.com.au

About Tel.Pacific

Established in 1996, Tel.Pacific is a significant participant in the Australian communications market. The Company's core business centres around the provision of pre-paid telephony products and services through extensive distribution networks.

Since its establishment Tel.Pacific has experienced strong and sustained revenue growth. Tel.Pacific sees continued growth opportunity in its pre-paid calling card business and intends to further expand its business activities in this area as part of its long-term growth strategy.

Tel.Pacific's core product line comprises more than 30 brands of low cost pre-paid calling cards mainly used for international telephone calls to over 230 countries and regions. The Company's portfolio includes the well known Hello, Joy and GPS brands.