



**Investor Roadshow**  
November 2006

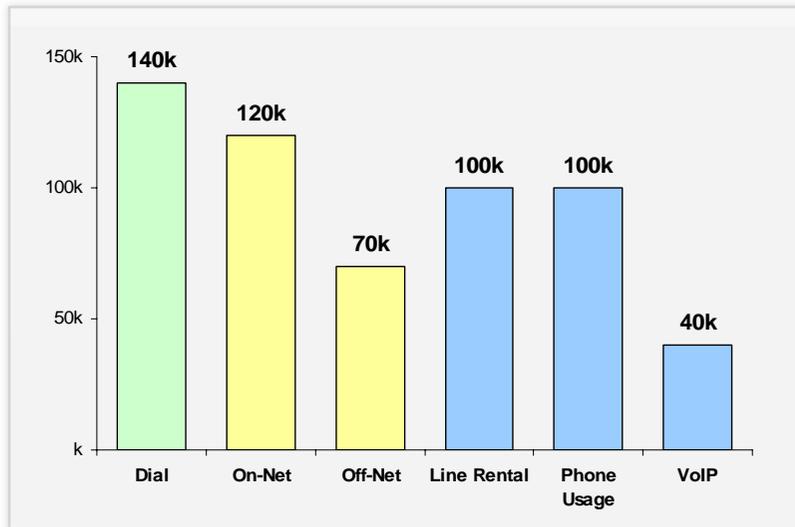
**iinet**  
connect better

## Key Take Aways

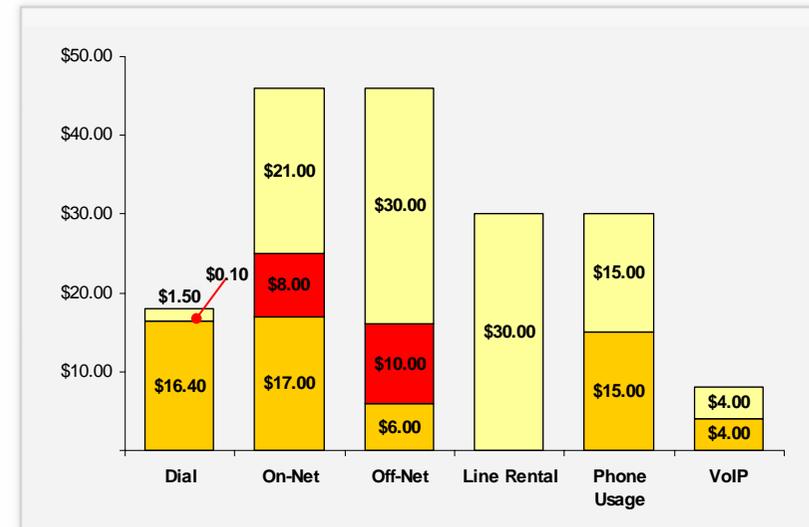
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Product changes and other cost initiatives being delivered	✓
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# Key Metrics

## Subscribers



## Gross Margin



## Current Revenue Trends

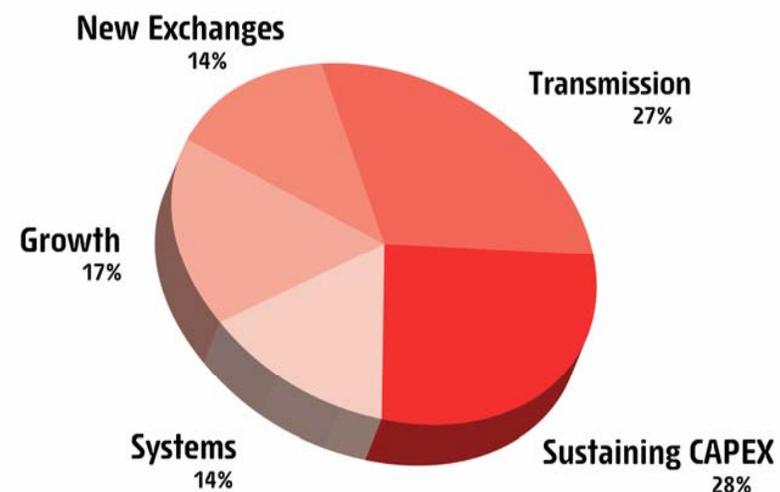
- Dial decline @ 4-5% p/m
- On-Net growth @ 2% p/m
- Off-Net decline @ 2-3% p/m
- Voice growth @ 1% p/m
- VoIP growth @ 4-5% p/m

## Major Areas of Expenditure

- Marketing:
  - Limited investment since Jan
  - Increased to \$6M-7M in FY07
  - Going for growth
- LSS reducing from \$9 to \$3.20
- All other costs: \$4M per month

# CAPEX, depreciation and amortisation

- DSLAM Network substantially complete
  - 270 exchanges in place
  - 20-30 more exchanges in FY07
  - Increase number of ports to match sales
- FY07 CAPEX Commitment \$13M-\$14M
  - Additional \$7M paid in Q1 for prior year
- Depreciation/Amortisation: \$19M-20M
- Amortisation of intangibles discontinues post sale of iHug



- Sold to Vodafone for NZ\$41M (\$AU35M) - Great result
- ihug EBITDA run rate was AU\$5M-6M per year
- Sale provides:
  - Net debt reduction to ~ \$20M
  - Debt target of 1-1.5 x EBITDA at Jun07
  - Working capital to grow the business
- iiNet NZ Call Centre retained
  - Approximately 100 staff in Auckland
  - 5 hour time difference with Perth
  - Three distributed call centres: Perth, Sydney, Auckland



# Marketing

## Our Purpose

We connect people to a world of entertainment, information and each other by developing and delivering innovative products that set a new standard of service and value.

## Our values

- Customer Centred
- Integrity
- Innovation
- Excellence

Position iiNet as the credible alternative to Telstra and Optus for our target market who sees being connected as integral to their way of life – “The Intelligent Choice for now and in the future”

## If our brand was a person...



- Cool
- Funky
- Innovative but not too techy
- Straightforward
- Honest
- Easy to deal with

## Build brand

- Identify tomorrow's customers
- Brand Positioning
- Align business processes, culture & communications
- Create awareness

## Put our customers first

- Focus culture on values
- Build customer relationships & loyalty
- Outstanding customer service
- Value add & advocacy

## Innovation

- Simplify products
- Compelling value propositions
- New solutions to meet customer needs
- Partnerships & strategic alliances

## Operational efficiency

- Capability/performance of Customer Service
- Product Profitability
- Sales growth
- Productivity improvement

## Today



### High speed BB users

- Internet centric
- Young/techie
- Higher mobile usage

*Advocates of iiNet*



### Acquired dial customers

- Family oriented
- Low but increasing internet usage
- Conservative
- Trusted brands only
- Risk averse

*Price sensitive, looking for brand security*

## Tomorrow

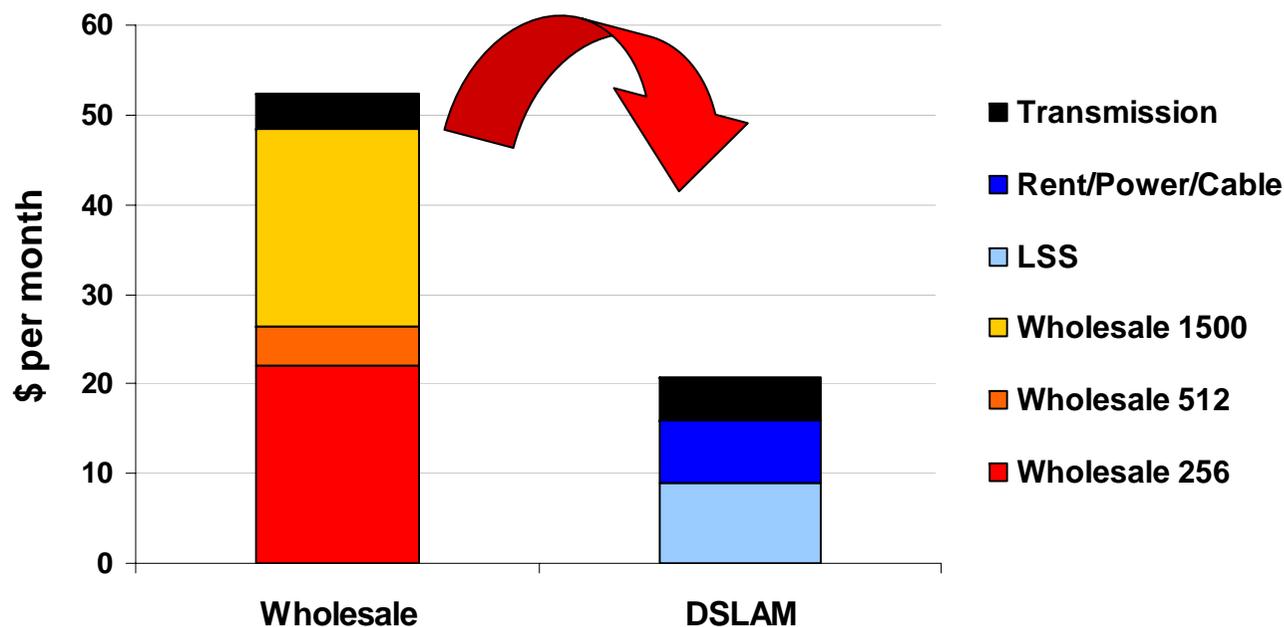


### NEO: "New Economic Order"

- 3.8 Million in Australia
- 50% of all people with degrees are NEO's
- Most likely professional
- 5 X more likely to earn >\$100,000 p.a
- Inner city urban dwellers
- Mainly made up of Gen X
- Believe that computers & technology give them control over their life
- Dominate broadband and internet usage

# Products

## DSLAM = faster broadband and improved cost base



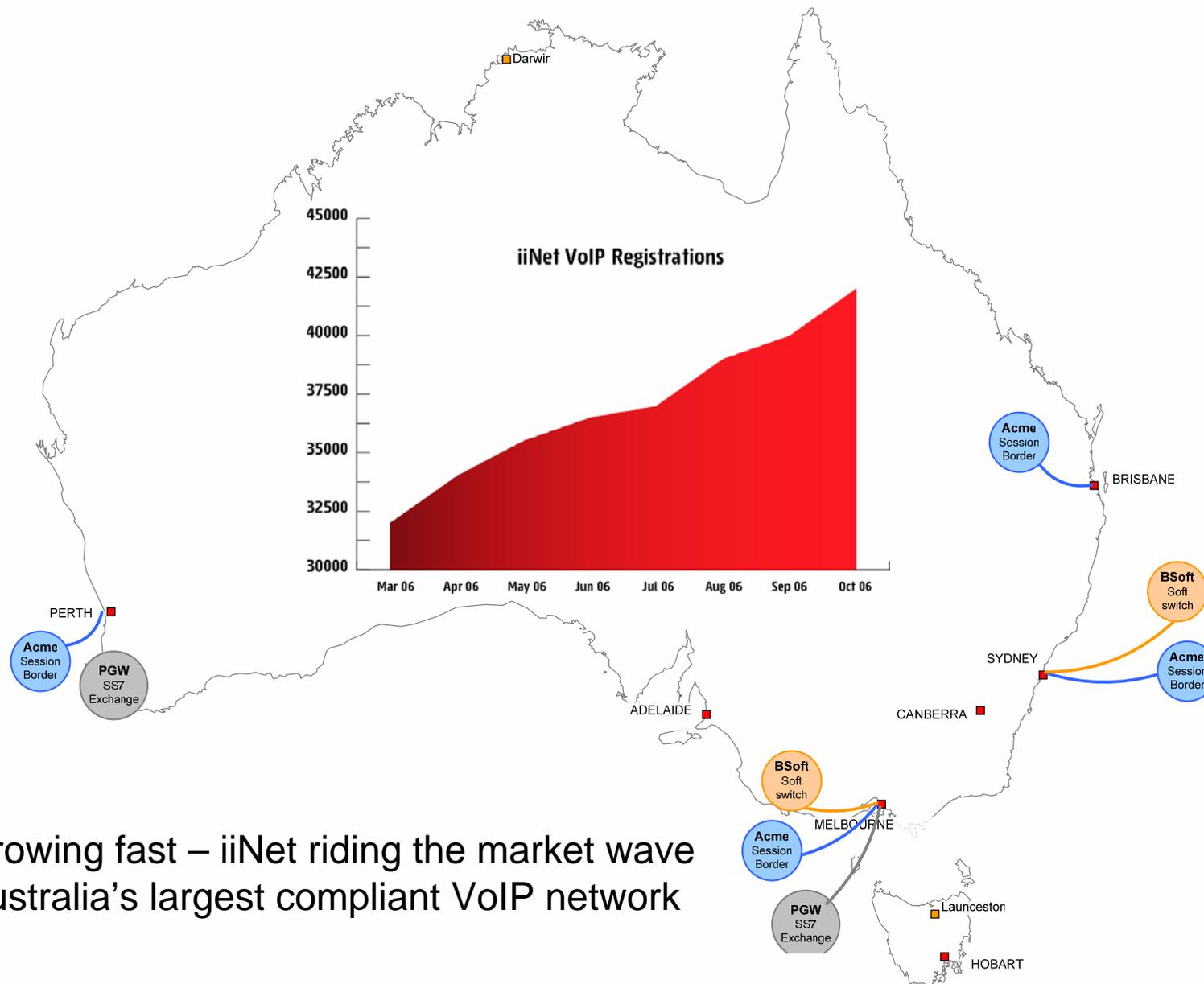
- iiNet's ADSL2+ is fast and well priced, good sales and low churn
- 170,000 ports deployed, 120,000 in use
- Additional 20-30 exchanges in FY07 – mainly Melbourne/ACT
- Otherwise grow ports to match subscriber growth
- Off-net customers being migrated to DSLAM network where possible

Issue	Status	Expectation
<b>ULL</b> (monthly charges)	ACCC interim decision	Interim – Aug 06. <i>(Band 2 \$17.70)</i> Final – Dec 06. 
<b>LSS</b> (monthly charges)	ACCC Arbitrating	Interim – Oct 06 <i>(Draft issued @ \$3.20, currently \$9.00)</i> Final – Dec 06.  
<b>Fibre to the Node</b>	Parked indefinitely. <i>(iiNet participant in G9)</i>	Telstra & ACCC unable to agree terms 
<b>T3</b>	Prospectus released.	Removes potential conflict for government 

- MSAN investment is based on generating a return from cost savings within an acceptable timeframe.
- Impacts of recent ACCC interim pricing decisions:

	DSLAM & WLR		MSAN		Savings (FC)
<b>Current</b>	LSS	\$9.00			
	WLR	<u>\$27.40</u>			
		<b>\$36.40</b>	ULL	<b>\$17.70</b>	<b>\$18.70</b>
<b>Expectation</b>	LSS	\$3.20			
	WLR	<u>\$24.00</u>			
		<b>\$27.20</b>	ULL	<b>\$17.70</b>	<b>\$9.50</b>

- The interim decisions are positive for DSLAM (broadband) investment
- MSAN payback is currently beyond an acceptable time for the Company
- Entry level Telstra line rental makes DSLAM + VoIP a far better option
- MSAN remains interesting and is a watching brief



- Growing fast – iiNet riding the market wave
- Australia's largest compliant VoIP network

- Powertel (PWT) Alliance principles:
  - iiNet gets access to PowerTel ADSL network
  - PowerTel exclusive wholesaler of iiNet ADSL2+ network
  - PowerTel is preferred supplier for transmission
- Adds 40 mainly regional exchanges to current 267 exchanges
- The overall objectives are:
  - Share infrastructure where sensible – avoid CapEx duplication
  - Increasing utilisation defrays fixed costs
  - Leverage our existing investments
- Wholesale a contributor for FY08
  - Provisioning systems being built
  - Trials expected this half
  - Product sales lifting in second half
  - Expected to incrementally increase to about 10,000 ports





- iiNet has the fastest product in the retail market
- Challenge is to demonstrate “the need for speed”
- Rich content drives the requirement for higher speeds
- iiNet’s ADSL2+ network capable of delivering required speeds
- Increasing number of high speed services also drives more content options
- Expect to deliver content solutions by partnering with content providers

*“Broadband will be a key driver of future growth for our company. And we intend for Fairfax to be a prime content provider on broadband to enable us to reach our audiences wherever they are, however they want to receive us.”*

*David Kirk – CEO Fairfax*

### **Peter Harley** *Chairman*

- Returns to non-executive role

### **David Grant** *Independent Director*

- Appointed October 2006 - Chair of Audit Committee

### **Keith Goodall** *Independent Director*

- Retired with sale of ihug

### **Mark White** *Chief Operating Officer*

- Appointed in September 2006 - leads marketing and customer service

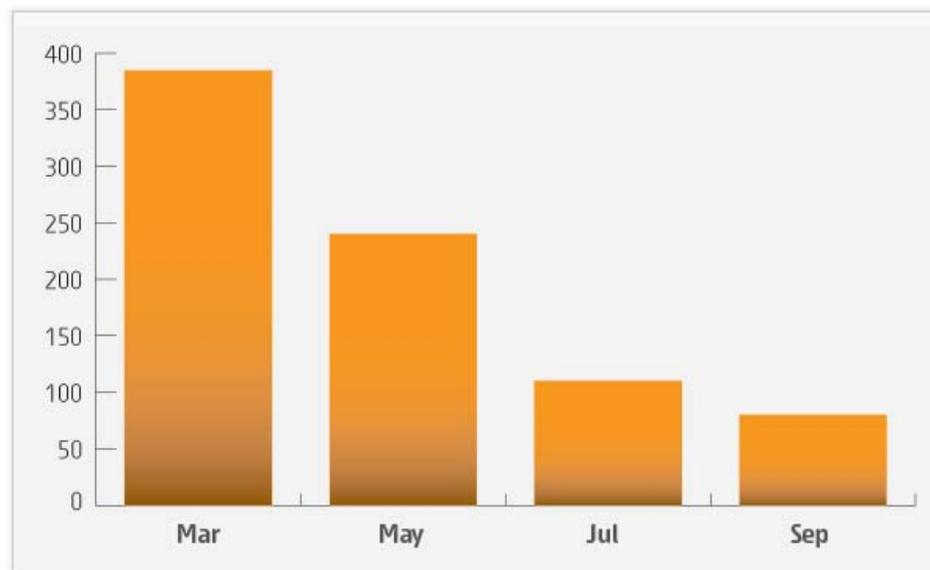
### **David Dans** *Chief Information Officer*

- Appointed December 2005 – improving revenue recognition processes

# Virtual Contact Centre



Average speed of answer



- Call Centre responsiveness is now under control
- Basic compliance to statistics is good
- Focus in the future is on training and quality of service

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