![iinet connect better logo]

FY07 Half Year Review

Highlights

- Record half year profit, NPAT of $7.1m
    - EBITDA of $14.8m, 80% up on previous half
    - Positive operating cash flow of $8.4m
    - 1c fully franked interim dividend declared
- New Zealand business (ihug) sold at a profit
- Strong balance sheet, 12% gearing
- Significant cost reductions
    - 24% increase in customer numbers on iiNet network
    - Rollout of dark fibre to 150 exchanges on target
    - Excellent performance in call centres
- Positive regulatory result
    - ~$9.0m cash benefit expected for back charges

Half Year Results

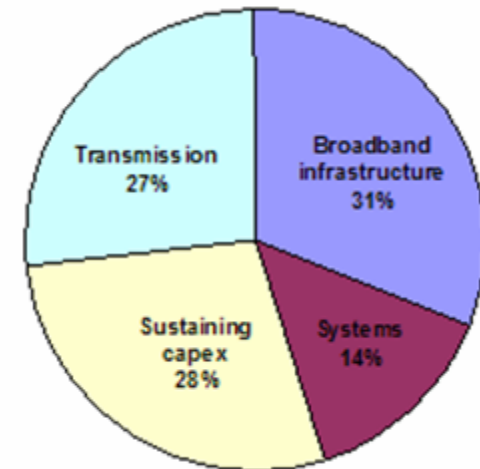| $000s	Australia	New Zealand*	Group
Revenue	113,366	8,698	122,064
EBITDA	13,916	925	14,841
EBIT	4,558	591	5,149
Profit on sale of ihug	0	0	5,016
NPAT	1,702	422	7,140
EPS			5.7 cents

* 3 months contribution

- Fully franked interim dividend of 1cps declared

- $5.0m profit on sale of ihug

- Significant operational improvements are lifting earnings

- LSS price decreased to $3.20 from 22 Dec 2006 (down from $9.00)

- $9.0m contingent claim for LSS back charges not booked

- H1 Australian EBITDA normalised for LSS would be $18.6m
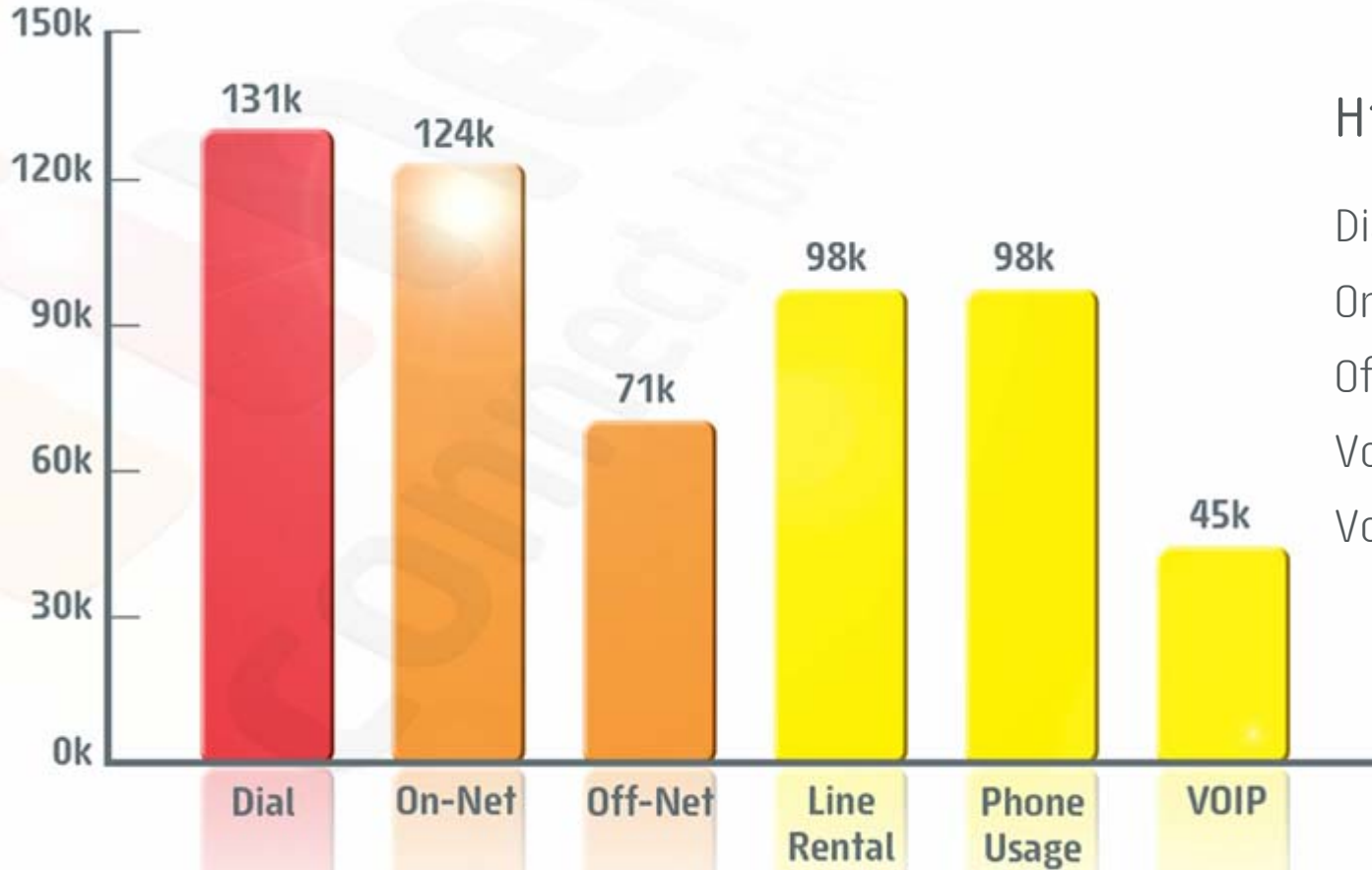
Normalised Operating Cash Flow

	$million
Cash Flow from Operating Activities	8.4
Working capital normalisation	8.8
LSS back dating*	3.8
Normalised Operating Cash Flow	21.0

Assumes LSS charge of $3.20/month is applied to full 6 months

- Strong cash flows to fund marketing and infrastructure investments
- NZ$41.0m (AU$36.0m) received from sale of ihug
- Net debt at $19.9m, down from [$50.5m]
- Current gearing ratio – 12%
- Further $13m undrawn on facility
- Capex FY07 ~ $20 million ($7m incurred in FY06)
- Capex FY08 ~ $15 million

Pie chart:
- Broadband infrastructure 31%
- Systems 14%
- Sustaining capex 28%
- Transmission 27%

Key Numbers - Subscribers

iinet
connect better

December 2006

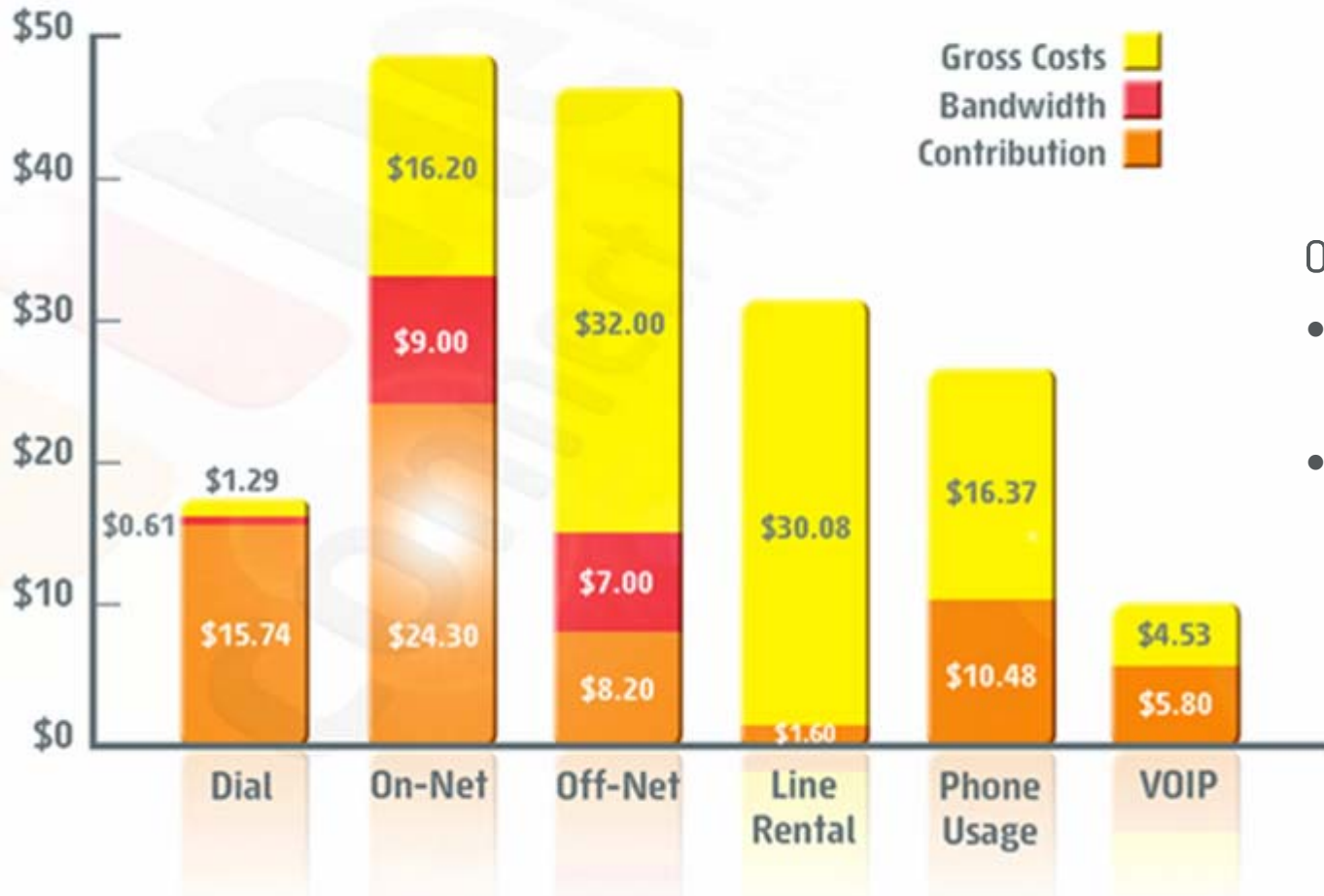## H1 Subscriber Trends

Dial decline @ 4-5% p/m

On-Net growth @ 2-3% p/m

Off-Net decline @ 2-3% p/m

Voice growth @ 1% p/m

VoIP growth @ 4-5% p/m

Key Numbers – Gross Margin

December 2006

Legend:
- Gross Costs (yellow)
- Bandwidth (red)
- Contribution (orange)

Dial: $1.29 / $0.61 / $15.74
On-Net: $16.20 / $9.00 / $24.30
Off-Net: $32.00 / $7.00 / $8.20
Line Rental: $30.08 / $1.60
Phone Usage: $16.37 / $10.48
VOIP: $4.53 / $5.80

Overheads

- Other overheads ~ $4M per month (mainly CC)
- Marketing increased to $6M-7M in FY07

Infrastructure Highlights

- Australia's second largest ADSL2+ network
- 268 exchanges built, 28 under construction
- 184k ports deployed, 43k more under construction
- 124k active customers on this network
- 150 exchanges connected by "dark fibre" network
- National transmission links with built in redundancy
- Interconnect agreements with major telco players
- Calls being switched on iiNet's own national network

iiNet Broadband (DSLAM) Coverage

WA metro

- 62 exchanges
- 58,476 ports
- Covers 95.6% metro customers

NSW metro

- 90 exchanges
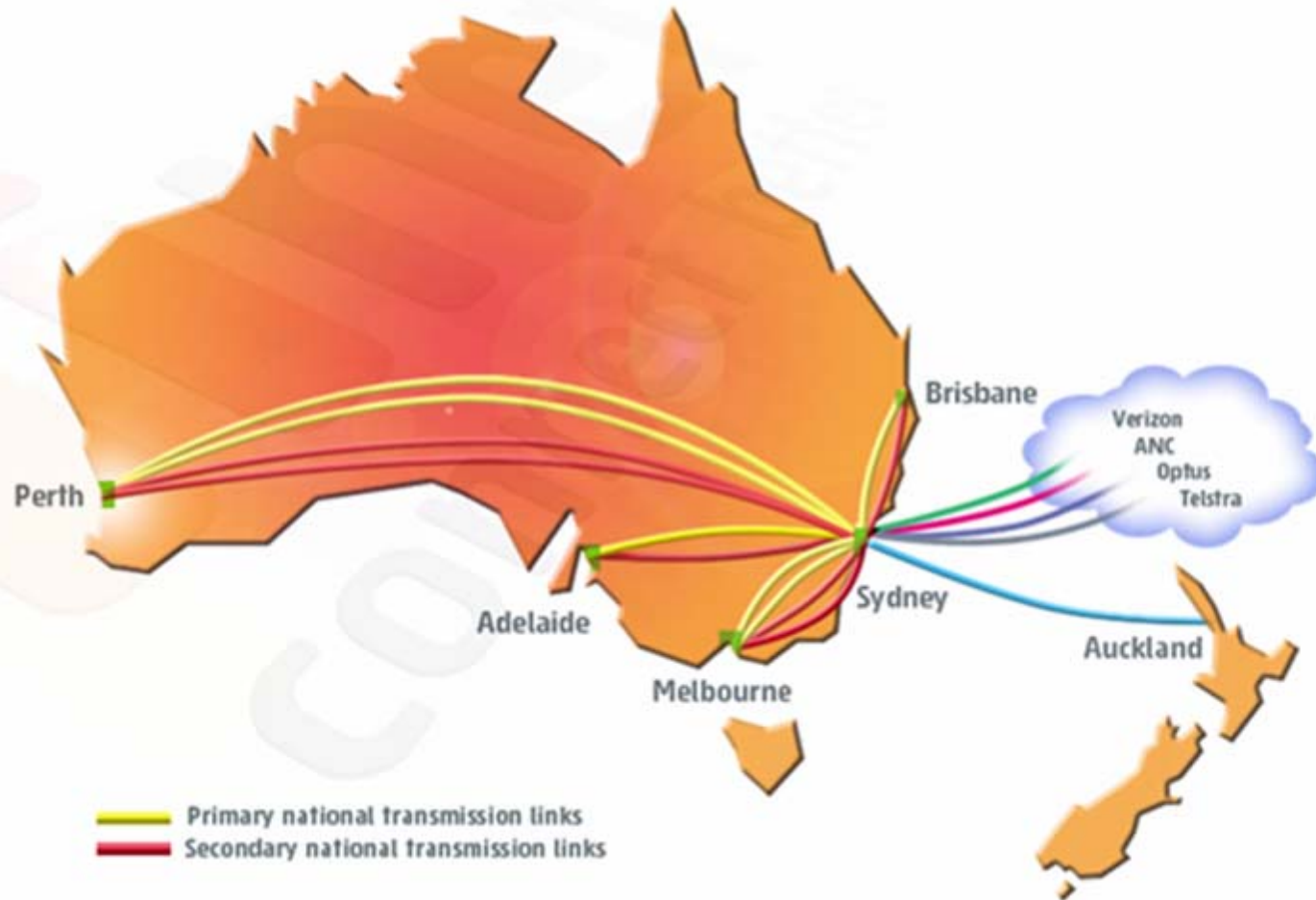- 56,160 ports
- Covers 92.8% metro customers

VIC metro

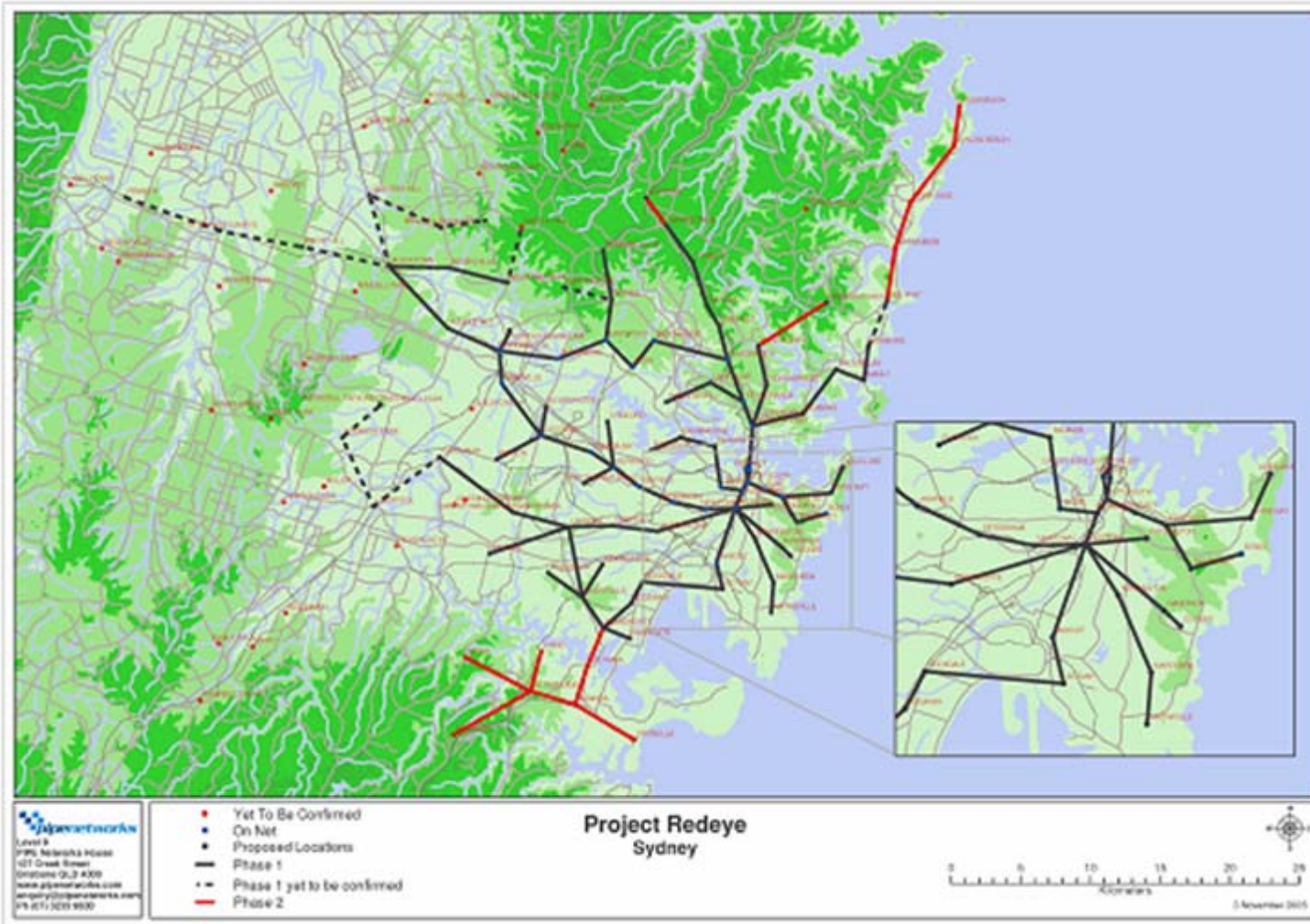- 47 exchanges
- 29,088 ports
- Covers 68.5% metro customers

QLD metro

- 41 exchanges
- 24,768 ports
- Covers 78.1% metro customers

National Transmission

- Multiple International links
- Directly controlled links between state capitals
- Directly manage quality of service
- Carrying telephony calls between cities ("toll bypass")

- "Dark Fibre" in Sydney, Melbourne and Brisbane

- 150 exchanges connected on target

- Effectively unlimited capacity from suburbs to iiNet's hub in each city

- Delivers some cost savings today

- Critical asset as customer content demands mature

- Alliance Agreement signed with PowerTel in May 2006, intent is to leverage infrastructure by wholesaling access to iiNet network
- Significant operational benefits delivered by improved scale on suburban exchanges
- Wholesale interface live in Dec 2006, over 1000 wholesale customers now live
- PowerTel/Telecom expected to deliver more certainty for AAPT as a wholesale customer
- iiNet has also entered into fibre deal for Amcom fibre to 30 exchanges in Perth

Regulatory

LSS Decision

- LSS interim determination handed down with ACCC indicated the final price will not be more than $3.20 per line per month
- Delivers savings of $700k per month and growing
- Final determination expected in Q4, expected to include credit for excessive back charging of at least $9.0m
- ACCC determinations are enforceable under the TPA, explicitly cannot be stopped
- Telstra have confirmed LSS will be charged at $3.20 from Dec 22

High Court Challenge

- Telstra have launched High Court Challenge on entire regime
- iiNet's initial advice is that the case is without merit
- Defendants are the Commonwealth, ACCC and other Telcos
- iiNet is working jointly with five other defendants
- Regarded as attempt at distraction by Telstra

Call centre performance

Technical Support Average Speed of Answer
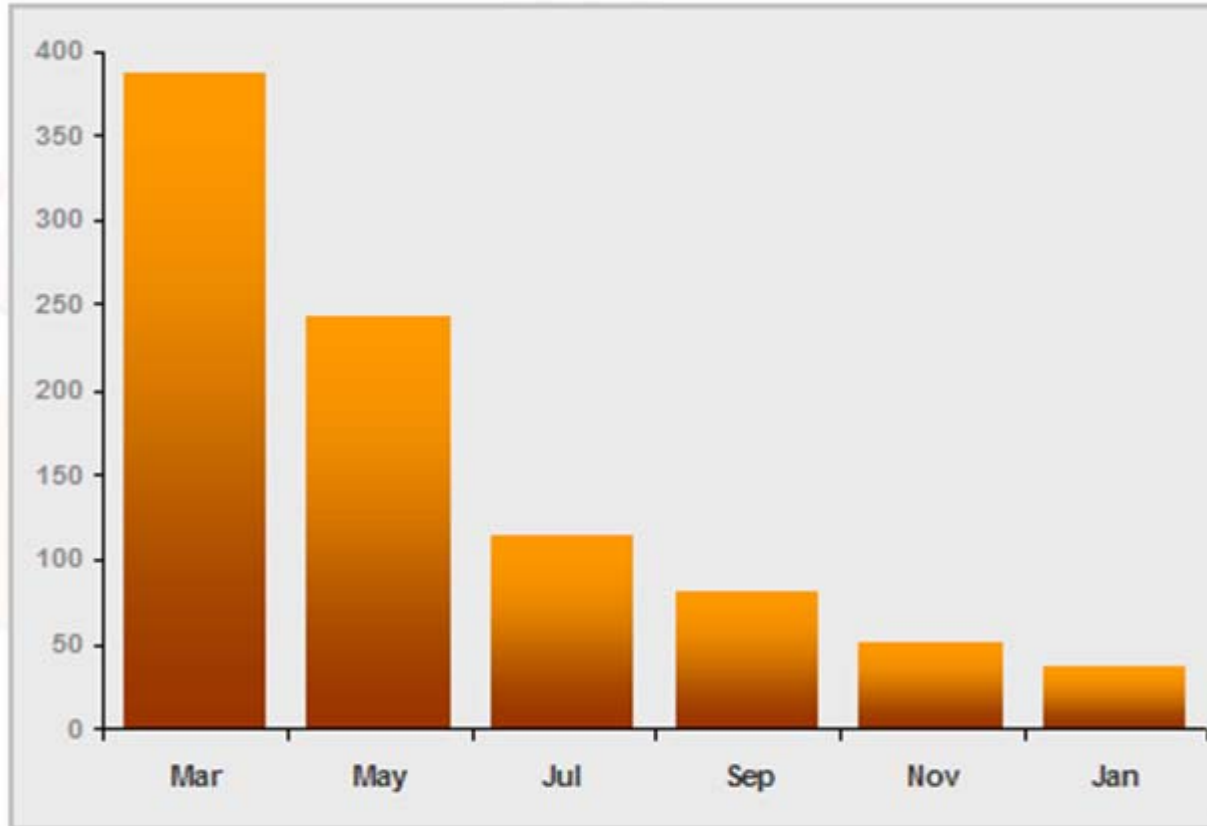
- Three call centres: Sydney, Auckland, Perth

- Virtual Call Centre live in Feb 2006

- Calls go to first available and suitable skilled operator in any location

- Superb performance by staff in all locations

- Industry leading performance

- 2006 WA call centre of the year

- WA IT & T Awards nominee

- Ongoing program to lift standards ever further

Marketing Strategy

- Campaign launch in Q4, focussing on Sydney and Perth
- Multiple channels to be used
- Substantial increase in market awareness and customer acquisition expected
- Position iiNet as a challenger brand, a credible alternative to Telstra and Optus
- Investment supported by high performance call centre
- Continue driving High Speed Broadband and Voice over IP
- Strategic alliances being finalised that increase brand promotion and deliver content
- Video on Demand solution for customers in Q4 – demonstrate the "need for speed"

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