UBS Small Cap Telco Conference
7 November 2005

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Introduction

- iiNet's Strategy
- Regulatory Environment
- iiNet's Position
- OzEmail Integration

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iiNet Operating Principles

	Dial Up	DSL	Phone
Sell mass market retail	✓	✓	✓
Resell wholesale product to gain scale	✓	✓	☑
Build where economically sensible	✓	✓	✓
Build to replace expensive "bottlenecks"	✓	☑	☑
Use next generation equipment	✓	✓	☑

✓ Achieved ☑ Delivering

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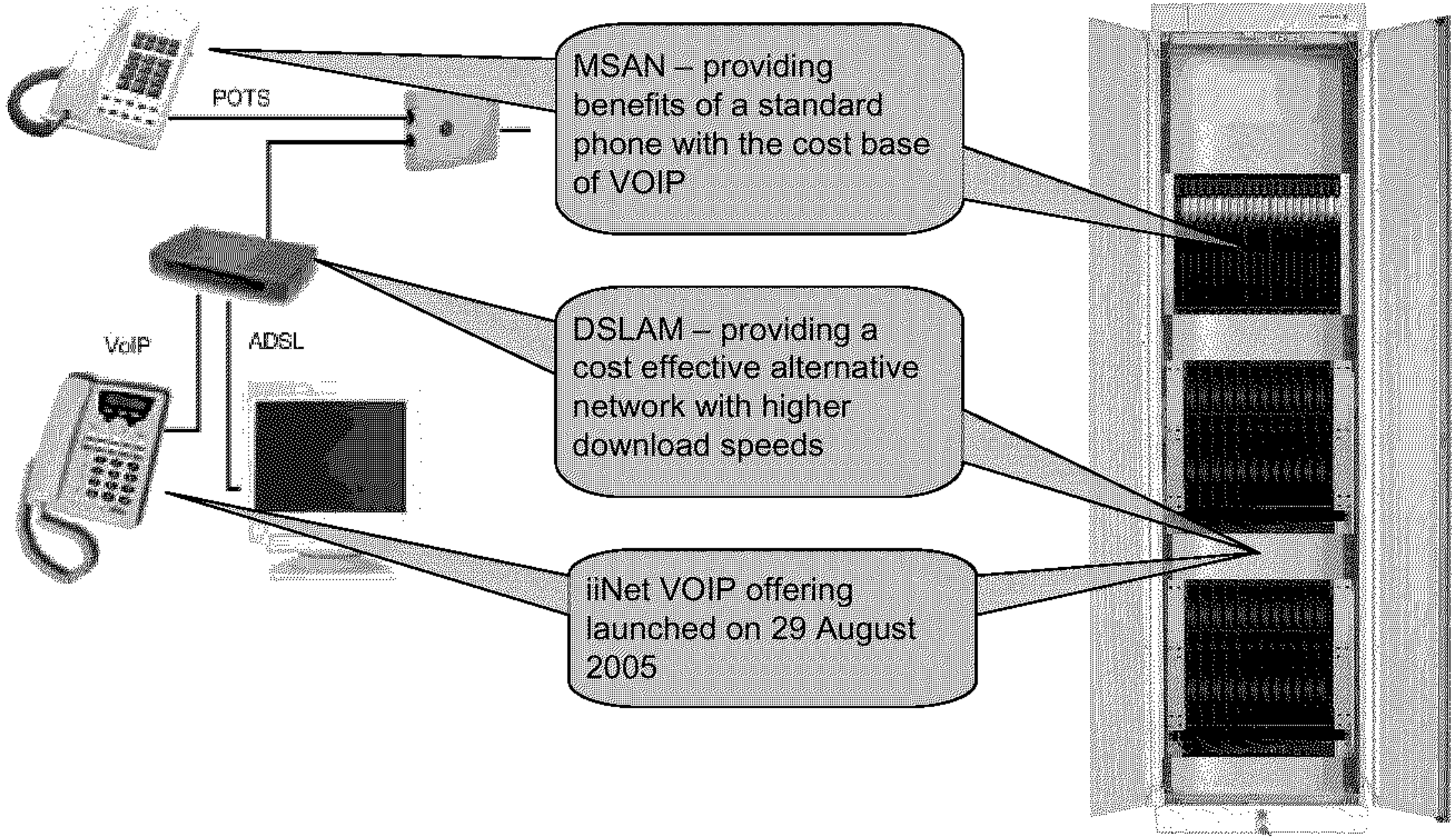
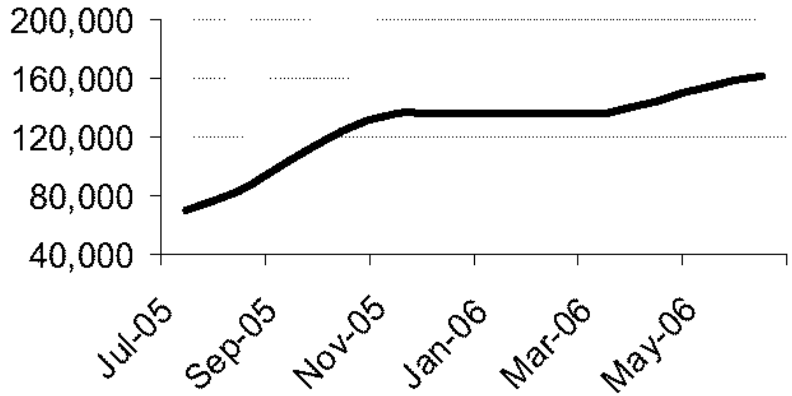
Convergence of technology

Customer's premises | **Exchange**

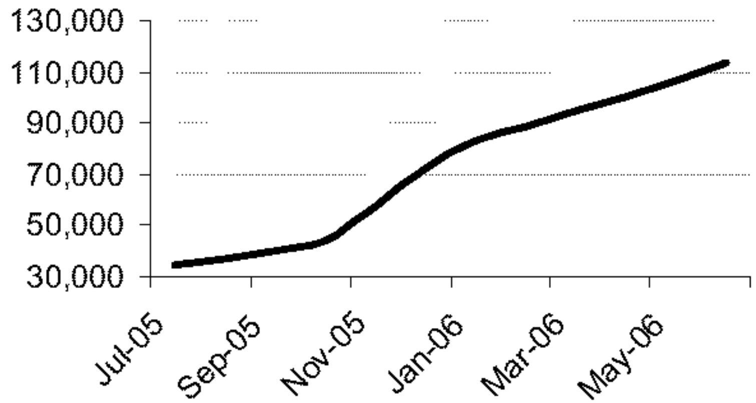


Convergence, DSLAM with LSS

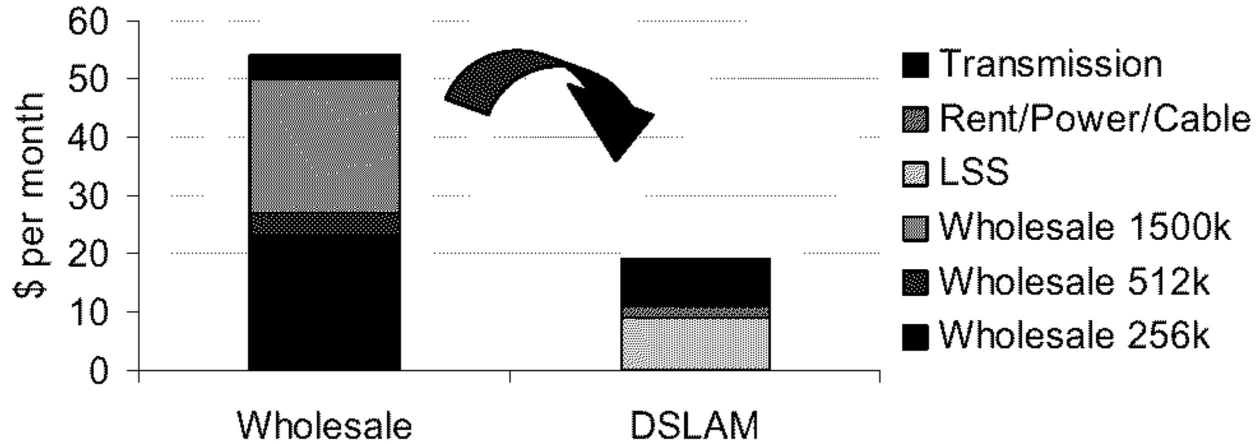
Forecast DSLAMs deployed



Forecast DSLAMs in use



DSLAM = improved cost base



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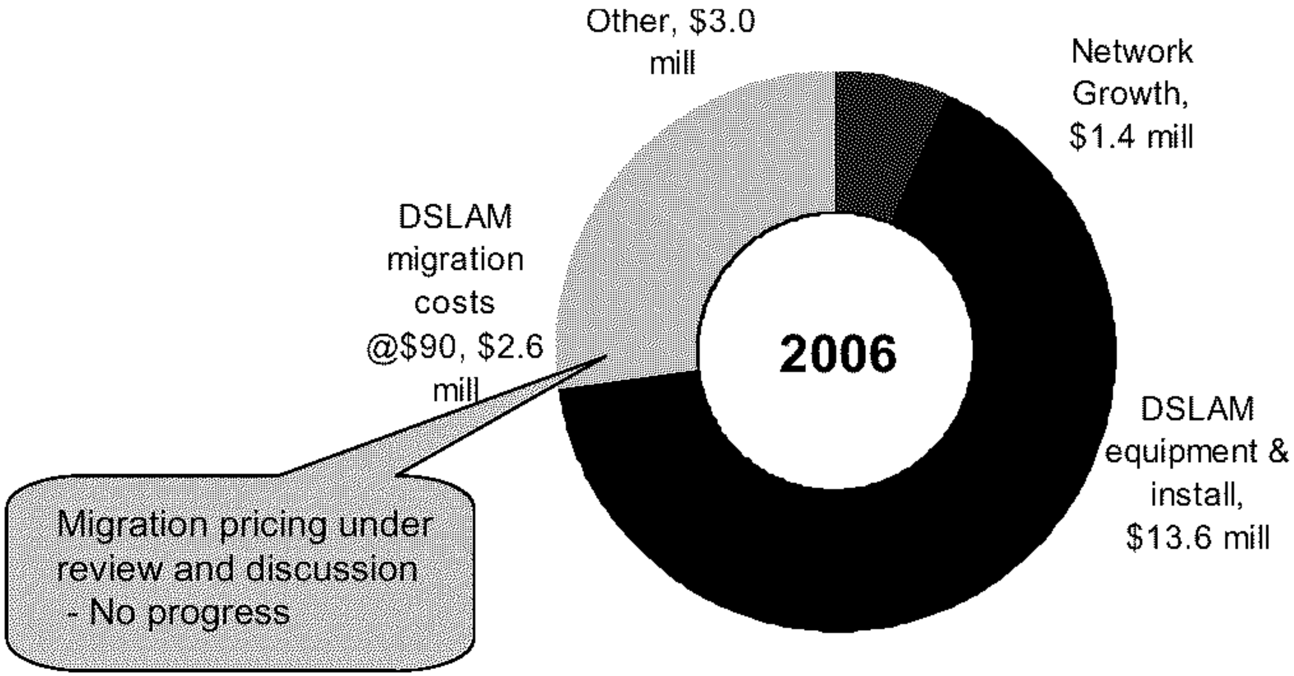
CAPEX – Operations excluding Voice

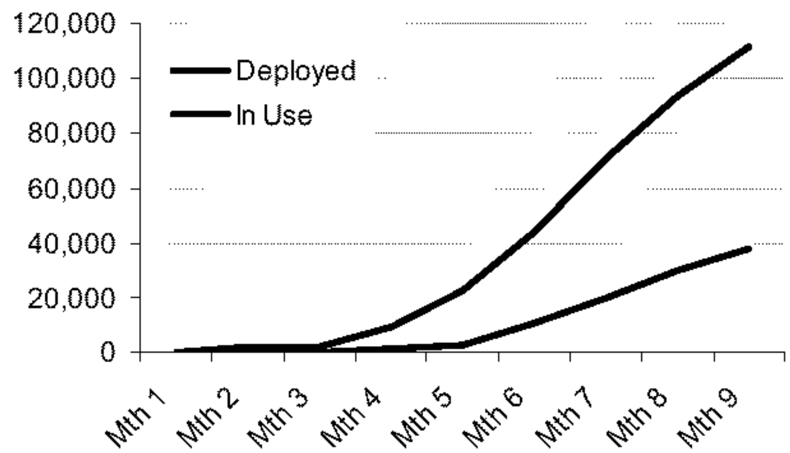
	$
OzEmail integration paid in 2006	3.5 million
2006 CAPEX excluding voice	20.6 million



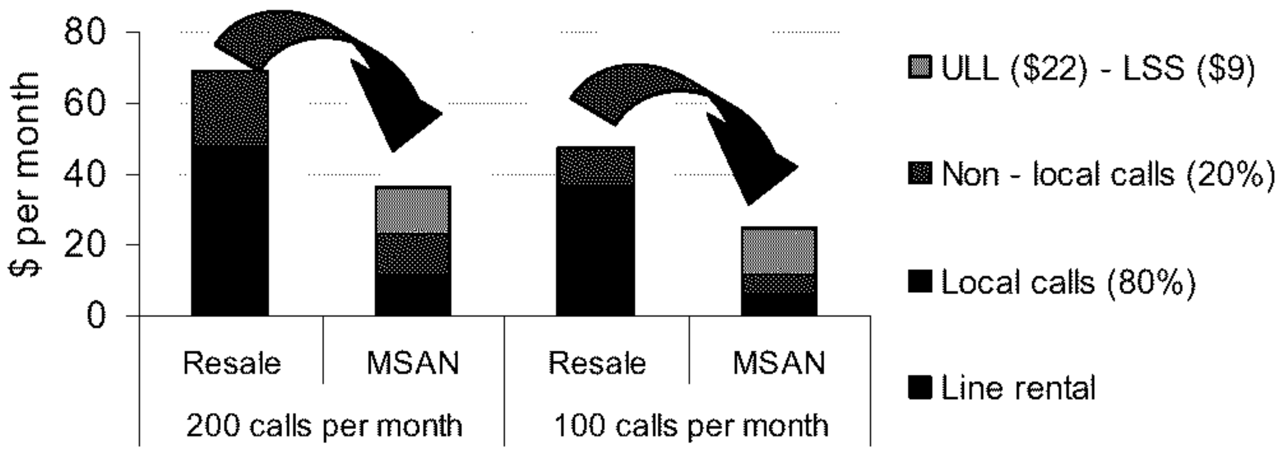
Convergence, Voice and Broadband on ULL

- ULL = Unbundled Local Loop. Access to raw copper at regulated pricing.
- MSAN Phase 1 rollout schedule being finalised – market update provided by December 2005.
- Process of switching customers from LSS to ULL being finalised.

Proposed MSAN ports



MSAN = improved cost base



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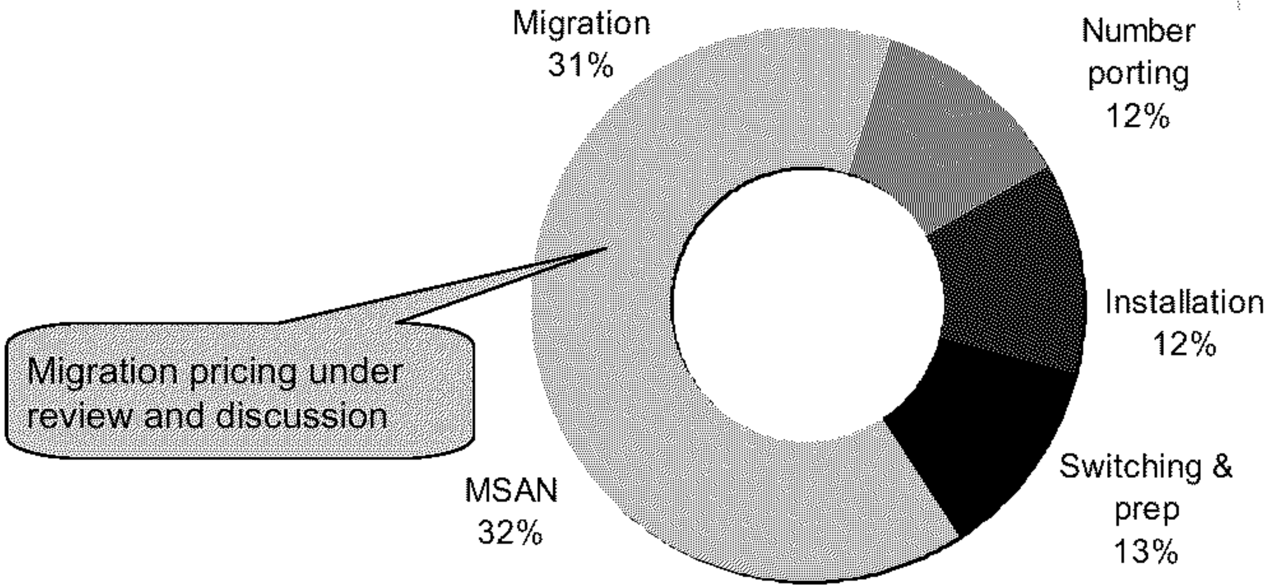
CAPEX – Voice

- $9M Capex to be incurred in FY06.
- Proposed 100,000+ ports deployed in phase one.

	$
Voice Capex	9.4 million



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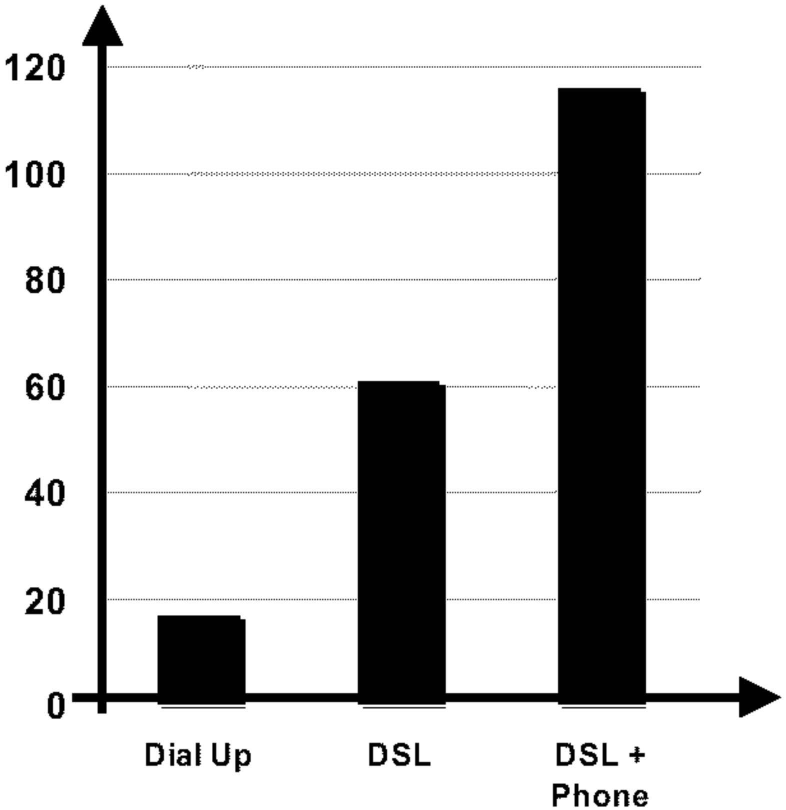
Why iiNet builds infrastructure

Increasing revenue

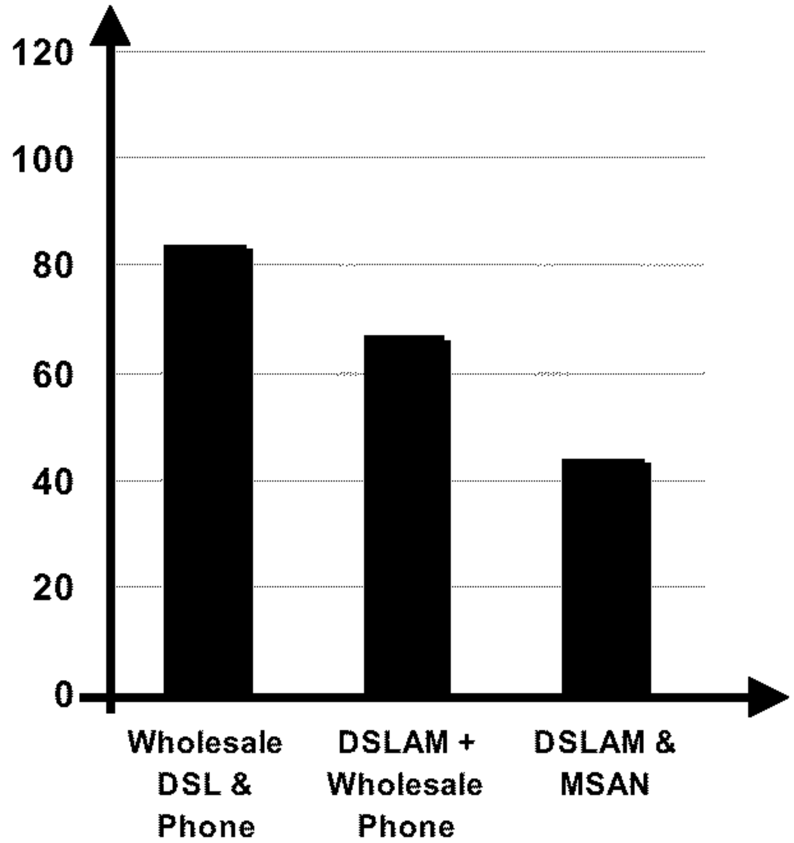


370,000 services

144,000 services. ARPU shown at iiNet rates

Full service launched in February 2005 42,000 services

Declining network costs



50,000 active DSLAM ports in October 2005

100,000 active DSLAM ports by July 2006

Supportive Regulator

	Impact to iiNet	
ACCC's objectives and focus is on:	**Ability to reduce cost base**	**Ability to compete fairly**
- "Facilities based" competition	✓	
- ULL being the solution to opening access	✓	
- Reviewing pricing of ULL and LSS	✓	
- Investigating the backhaul 'market failure'		✓
- Regime where Telstra offers wholesale customers equity with Telstra Retail		✓

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"…the broadband market, the platform of the future…" *Chairman's Address Telstra AGM*

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iiNet's Infrastructure Strategy

- Telstra's approach confirms iiNet's build strategy:
  - Build infrastructure to move away from reseller model
  - Use next generation equipment to maintain product leadership
  - Positioned to take part in industry consolidation
  - Aim to rely on Telstra only for regulated products

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Current Debate

- Telstra is seeking rebalanced pricing for ULL:
  - Significant uncertainty for regional customers
  - Likely to see Telstra increase regional prices retail and wholesale

- Backhaul pricing is the key for a regional build
  - Competing carriers can and will build in regions
  - National averaging of ULL is worth considering …
  - … provided that fair pricing is given to regional backhaul

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Changes in Telstra

- Wholesale Sales Chief moved suddenly to retail
  - *"This move is sudden and unexpected and it's regrettable that I can't give you more notice of the imminent change."*
    Martin Mercer The Australian Oct 24 2005
- More cut backs likely in Telstra Wholesale
- Reports of difficult negotiations with Telstra Wholesale
  - *"AAPT to review Telstra partnership"* The Australian Nov 4 2005
- Analyst reports suggest wholesale pricing will increase for unregulated products in the near term
- NDC declining new business

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Government Support

Telstra is seeking a:

- relaxed regulatory environment; and
- regulatory holiday on investment.

Senator Coonan has said:

"But I must say it would be unusual if there was to be government intervention of the kind being asked for by Telstra."

"Obviously, Telstra has to cope with competition but the government has to set the rules and framework for over a hundred telecommunication providers, not just Telstra." *Sydney Morning Herald 30 October 2005*

Telstra is pushing an unrealistic agenda

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Immediate Impact of Telstra Position

- Regional Sales Ceased
  - Temporarily ceased new sales to regional customers; and
  - May cease selling to metro customers on a RIM.

- Why?
  - Proposed port pricing is unrealistic in those areas
  - Regional backhaul prices are prohibitive
  - No pathway to build infrastructure

- When?
  - Negotiating with Telstra on port pricing and backhaul pricing;
  - Uncertainty about Telstra Wholesale direction;
  - Clarity may return after Telstra strategy release later this month.

- Represents about 20% of the broadband market.

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OzEmail Integration

- Integration on target to be complete by December
- Billing migration completed in October
- ADSL customers fully migrated onto iiNet network
- Dial customers 70% done

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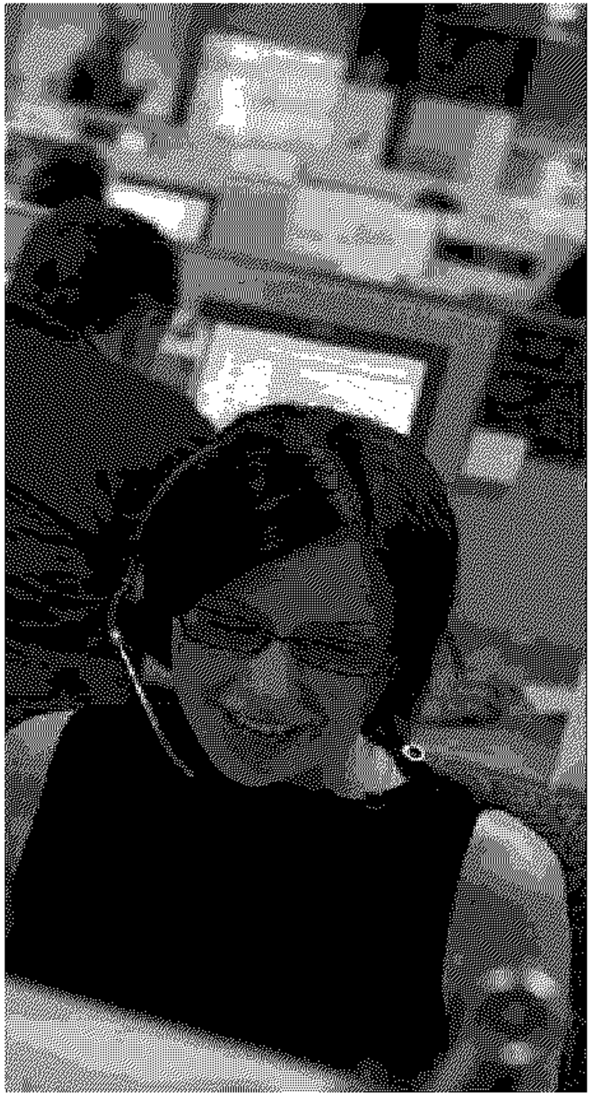
Customer Service



- Currently experiencing a hump due to the integration
- Perth CC assisting where possible with Sydney load
- Call patterns expected to settle in December
- Genesys has been selected to upgrade infrastructure
  - Virtual Call Centre
  - "Follow the sun" across Perth, Sydney, Auckland
  - Due for implementation in Q1 2006

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Summary

- iiNet has
  - Scale to successfully compete in the broadband market
  - Aggressive Telstra position confirms build strategy
  - Continuing rollout of DSLAM infrastructure in metro areas
  - Bundling rates to justify MSAN deployment

- In FY06 iiNet will
  - Finalise the integration of OzEmail
  - Continue to move from a Dial Up to a DSL/Phone service provider
  - Deploy infrastructure to provide sustainable advantage
  - Improve service levels as the key differentiator
  - Set our cost base as one of the lowest in the Industry for 2007

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