



iiNet Limited
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27 February 2004

iiNet Results for the Half Year to 31 December 2003

iiNet Limited today announced a record net profit, before goodwill amortisation, of \$3.7 million for the 6 months ended 31 December 2003, an increase of 54% on the previous half. After a \$2 million increase in amortisation of goodwill, net profit reduced to \$1.5 million from \$2.3 million. The Company has declared a fully franked 2.5 cents per share interim dividend, bringing dividends for the last 12 months to 6.5 cents per share.

Operating revenue of \$36.8 million was 114% higher than that reported for the previous half. Earnings before interest, taxation, depreciation and amortisation, was \$8.2 million, an increase of 56% on the \$5.3 million achieved in the previous period. Cash holdings stood at \$7.4 million.

iiNet Managing Director Michael Malone said "We're pleased with the rapid increase in earnings over the last year, but what we have achieved to date is not really reflective of the current business. The first half only includes a little over two months of contribution from ihug, which was acquired in October, nearly doubling the size of the business. The expectation is that over the coming six months earnings before interest, taxation, depreciation and amortisation will increase a further 70% to \$14 million. This is before our recent acquisition of Froggy."

On 25 February iiNet announced the acquisition of the FlowCom ISP business, comprising Froggy Internet and Flow ADSL customer bases. With 35,000 customers located in Sydney, Melbourne and Brisbane this acquisition further enhances iiNet's presence on the East Coast of Australia. iiNet will assume control of the business on 3 March 2004 after paying \$6.3 million from iiNet's cash reserves.

Whilst the market remains competitive the company continued to achieve solid growth in DSL services in Australia and Telephony in New Zealand. As at 31 December iiNet had 311,000 customers of which 45,000 were on DSL and a further 36,000 were on telephony. Growth in ADSL customer numbers continues with February being one of the best months for new connections in the last 6 months.

iiNet has now successfully integrated all previously acquired subscribers lists. The network infrastructure to support these customers has been deployed and customers successfully migrated, albeit slower than originally expected. The commissioning of this infrastructure enhances earnings and removes the duplication of costs associated with running the acquired ISP's previous network.

The integration of ihug has also proceeded well. Short term and long term strategies are aligned across all parts of the business. The integration of ihug Australia has been fast tracked. It is expected that in Australia, iiNet will operate under one network infrastructure by mid 2004. While there will be a short term cost in aligning products and removing non-core offerings this process will better position iiNet for growth in the coming year. In New Zealand iiNet will operate under the ihug brand given its strong position in that market.

iiNet will continue to explore acquisition opportunities where those acquisitions meet iiNet's strict investment parameters. In parallel iiNet will focus on enhanced organic growth prospects. iiNet has a strong telephony service in New Zealand and a nascent offering in Australia. iiNet is exploring the use of Voice Over Internet Protocol (VOIP) to reduce the cost base of this telephone business, leveraging the very successful VOIP business in New Zealand.

iiNet is also piloting its own DSL infrastructure. This involves the installation of DSLAMs, a broadband switch, into Telstra's exchanges, reducing the cost base of DSL. The first fully functioning ADSL services were deployed on iiNet DSLAMs in January. This pilot is expected to continue over the next few months, and if successful, will be the basis of a broader deployment in mid 2004.

iiNet expects a significant improvement in earnings in 2005, as ihug, Froggy and previously acquired ISPs contribute to earnings for the full year.

The fully franked dividend of 2.5 cents will be paid on 13 April 2004 with a record date of 6 April 2004.

CONTACTS

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iiNet Limited

ABN 48 068 628 937

**Financial Report for the Half –Year Ended
31 December 2003**

iiNET LIMITED

**Financial Report for the Half-Year Ended
31 December 2003**

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iiNET LIMITED

Results for Announcement to the market

Current Reporting Period: Half-Year ending 31 December 2003

Previous Corresponding Period: Half-Year ended 31 December 2002

	Percentage Change %	Amount \$A'000
Revenue and Net Profit		
Revenues from ordinary activities after tax attributable to members	up 114%	36,803
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	up 56%	8,241
Profit from ordinary activities after tax attributable to members	down 34%	1,527
Net Profit after Tax before Amortisation (NPATBA)	up 54%	3,717
Net Profit for the period attributable to members	down 34%	1,527

	Amount per security	Franked Amount per security
Dividends		
Final Dividend	Nil	Nil
Interim Dividend	2.5	2.5

Record Date for determining entitlements to the dividend

Final Dividend	Nil
Interim Dividend	6 April 2004

Brief Explanation of Revenue and Net Profit

Net profit before goodwill amortisation was \$3.7 million for the 6 months ended 31 December 2003, an increase of 54% on the previous half.

Consolidated revenues from ordinary activities were \$36.8 million. This represented a 114% increase from the same period last year. This increase can be attributed to the growth in iiNet's customer base following the acquisition of ihug in October 2003.

Interim dividends for the year of 2.5 cents per share reflect the ongoing performance of the company.

	Half Year-Ended 31-Dec-03	Half Year-Ended 31-Dec-02
NTA Backing		
Net tangible backing per ordinary security	3.7 cents	20.9 cents

iiNET LIMITED

Directors' Report

The directors of iiNet Limited present the financial report for the half-year ended 31 December 2003. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names and particulars of the directors of the company during or since the end of the half-year are:

Mr P. C. Harley (Chairman)

Mr K.N. Goodall (appointed 21 October 2003)

Mr M. M. Malone

Mr A. L. Milner

Mr A.L. Fergusson (appointed 27 November 2003)

Mr P.R. James (appointed 28 November 2003)

Mr D.J. Banks (resigned 28 November 2003)

REVIEW OF OPERATIONS

For the half-year ended 31 December 2003, the consolidated entity generated a net profit after tax of \$1,527,123 (2002: \$2,300,753).

Net Profit before goodwill amortisation for the same period increased by 54% to \$3,717,054, continuing the strong performance of the company.

Consolidated operating revenues of \$36.8 million were 114% higher than that reported for the previous half. Earnings before interest, taxation, depreciation and amortisation of \$8.2 million is an increase of 56% on the \$5.3 million achieved in the previous period.

As at 31 December 2003, consolidated cash holdings stood at \$7.4 million.

	6 months 31 Dec 2003	6 months 31 Dec 2002
	\$	\$
Operating Profit		
Operating profit from ordinary activities after income tax attributable to members	1,527,123	2,300,753
Operating Profit before Amortisation		
Operating profit from ordinary activities after income tax before amortisation attributable to members	3,717,054	2,420,561

Dividends

In respect of the half-year ended 31 December 2003, the directors recommend the payment of an interim dividend of 2.5 cents per share, fully franked at 30% being the corporate income tax rate, to the holders of fully paid ordinary shares on 6 April 2004. The Directors anticipate paying further dividends at the full year.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the half-year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary, or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the half-year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



M. M. Malone
Managing Director
Perth, WA
27 February, 2004



P. C. Harley
Chairman
Perth, WA
27 February, 2004

Independent review report to members of iiNet Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both iiNet Limited ("the company") and the entities it controlled during the half year, and the directors' declaration for the company, for the half year ended 31 December 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity comprising both iiNet Limited and the entities it controlled during the half year ended 31 December 2003 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position the consolidated entity at 31 December 2003 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



G H Meyerowitz

Partner

Perth

Date: 27 February 2004

iiNET LIMITED
Directors' Declaration

In accordance with a resolution of the directors of iiNet Limited, I state that:

In the opinion of the directors:

a) the financial statements and notes of the consolidated entity:

- i) give a true and fair view of the financial position as at 31 December 2003 and the performance for the half year ended on that date of the consolidated entity; and
- ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



M. M. Malone
Managing Director
Perth, WA
27 February, 2004



P. C. Harley
Chairman
Perth, WA
27 February, 2004



	Notes	CONSOLIDATED	
		31-Dec-03 \$	31-Dec-02 \$
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF YEAR ENDED 31 DECEMBER 2003			
Revenue from ordinary activities	2	36,803,032	17,179,925
Network costs		(14,445,469)	(3,845,082)
ADSL customer modem and set up costs		(1,989,713)	(1,696,562)
Employee expenses		(7,388,303)	(4,053,437)
Depreciation and amortisation expense		(5,105,592)	(1,988,499)
Marketing expenses		(715,592)	(344,442)
Borrowing costs		(49,941)	(148,115)
Office costs		(3,298,453)	(1,083,851)
Other expenses from ordinary activities		(602,889)	(677,837)
Profit from ordinary activities before income tax expense		3,207,080	3,342,100
Income tax expense relating to ordinary activities		(1,679,957)	(1,041,347)
Profit from ordinary activities after related income tax expense		1,527,123	2,300,753
Net Profit attributable to members of the parent entity		1,527,123	2,300,753
Net exchange difference on translation of financial statements of foreign controlled entities		80,410	-
Share issue costs		(1,077,085)	-
Total Revenues and Expenses attributable to members of iiNet Limited and recognised directly in equity		(996,675)	-
Total Changes in Equity other than those resulting in transactions with owners as owners attributable to members of iiNet Limited		530,448	2,300,753
Basic earnings per share (cents per share)		2.4	6.1
Basic earnings per share before amortisation (cents per share)		5.8	6.4
Diluted earnings per share (cents per share)		2.3	5.9
Franked dividends per share (cents per share)		2.5	2.0



**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003**

	Notes	CONSOLIDATED	
		AS AT 31-Dec-03 \$	AS AT 30-Jun-03 \$
CURRENT ASSETS			
Cash assets		7,364,968	8,575,816
Receivables		3,982,140	1,807,261
Inventories		716,097	347,681
Other		831,232	493,243
TOTAL CURRENT ASSETS		12,894,437	11,224,001
NON-CURRENT ASSETS			
Property, plant and equipment		13,875,621	8,815,294
Intangibles		82,056,927	8,761,830
Deferred tax assets		2,153,989	270,773
Other		823,906	392,086
TOTAL NON-CURRENT ASSETS		98,910,443	18,239,983
TOTAL ASSETS		111,804,880	29,463,984
CURRENT LIABILITIES			
Payables		13,699,224	4,802,152
Unearned revenue		6,466,875	5,684,033
Interest-bearing liabilities		362,710	591,344
Current tax liabilities		2,524,508	2,378,507
Provisions		1,355,985	430,825
TOTAL CURRENT LIABILITIES		24,409,302	13,886,861
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		127,992	235,313
Deferred tax liabilities		341,548	697,419
Provisions		622,409	117,351
TOTAL NON-CURRENT LIABILITIES		1,091,949	1,050,083
TOTAL LIABILITIES		25,501,251	14,936,944
NET ASSETS		86,303,629	14,527,040
EQUITY			
Contributed equity	8	84,313,693	12,548,692
Reserves	8	80,410	-
Retained Profits	8	1,909,526	1,978,348
TOTAL EQUITY		86,303,629	14,527,040



**CONDENSED STATEMENT OF CASH FLOWS
HALF YEAR ENDED 31 DECEMBER 2003**

	CONSOLIDATED	
	31-Dec-03	31-Dec-02
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	35,419,085	17,343,923
Payments to suppliers and employees	(27,337,781)	(10,882,674)
Interest received	120,965	205,538
Interest and other costs of finance paid	(49,941)	(148,115)
Income tax (paid)/refunds received	(741,590)	46,800
Net cash provided by operating activities	7,410,738	6,565,472
Cash Flows from Investing Activities		
Payment for property, plant and equipment	(4,957,822)	(2,183,100)
Proceeds from sale of property, plant and equipment	13,000	4,744
Payment for subscriber bases	(840,324)	(1,749,650)
Payment for acquisition of controlled entities	(30,986,422)	-
Purchase of other intangible assets	(236)	(3,902)
Net cash used in investing activities	(36,771,804)	(3,931,908)
Cash Flows from Financing Activities		
Proceeds from issues of equity securities	31,286,115	53,985
Payments for capital raising costs	(1,077,085)	-
Repayment of borrowings	(335,936)	(426,120)
Dividends paid	(1,595,945)	(1,513,240)
Net cash provided by / (used in) financing activities	28,277,149	(1,885,375)
Net (decrease)/increase in cash held	(1,083,917)	748,189
Cash at the beginning of the financial year	8,575,816	8,550,705
Impact of Foreign Currency Translation	(126,931)	-
Cash at the end of the financial year	7,364,968	9,298,894

iiNET LIMITED

Notes to the Financial Statements For the Half-Year Ended 31 December 2003

1 . Notes to the Half Year Financial Statements

1. Basis of Preparation of the Half-Year Financial Report

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the Annual Financial Report of iiNet Limited as at 30 June 2003. It is also recommended with the half year Financial Report be considered together with any public announcements made by iiNet Limited and its controlled entities during the half-year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of Accounting

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention.

For the purposes of the half year financial report, the half year has been treated as a discrete reporting period.

b) Changes in Accounting Policy

The accounting policies adopted are consistent with the most recent Annual Financial Report for the year ended 30 June 2003.

2. Profit from Ordinary Activities

Revenue

	CONSOLIDATED	
	2003	2002
	\$	\$
Rendering of services	35,592,944	15,825,249
Sale of goods	977,990	1,142,954
Interest Revenue	120,965	205,538
Other	111,133	6,184
	<u>36,803,032</u>	<u>17,179,925</u>

3. Dividends Paid or Provided for on Ordinary Shares

a) Dividends declared pre December 2003 and recognised as a liability

Franked dividends	-	-
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b) Dividends paid during the half year

Franked dividends	1,595,945	1,513,240
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c) Dividends declared post 31 December 2003 and not recognised as a liability

Franked dividends (cents per share)	2.5	2.0
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iiNET LIMITED

Notes to the Financial Statements For the Half-Year Ended 31 December 2003

4. Change in Composition of the entity

On 21 October 2003, the consolidated entity acquired 100% of the voting share capital in ihug NZ Ltd and IP Factory Ltd, companies incorporated in New Zealand, and selected net assets of ihug in Australia (together the "ihug Group").

The components of the acquisition were:

	2003
	\$
Consideration	
Cash paid	30,143,500
Shares issued	41,555,971
Acquisition costs	<u>842,922</u>
	72,542,393
Net Asset Acquired	
Cash	-
Trade Debtors	2,600,148
Inventory	538,312
Fixed Assets	704,832
Intangibles	19,204,246
Other	<u>4,312,147</u>
	27,359,685
Trade Payable	(6,116,509)
Employee Provisions	(330,116)
Other Provisions	(1,023,099)
Unearned Income	<u>(1,814,319)</u>
	(9,284,043)
Net assets acquired	18,075,642
Goodwill arising on acquisition	<u>54,466,751</u>
	<u>72,542,393</u>
Net cash effect	
Cash consideration paid	30,143,500
Cash included in net assets acquired	-
Net cash paid for purchase of controlled entities	<u>30,143,500</u>

From 21 October 2003, the ihug group contributed \$316,630 to iiNet's profit from ordinary activities after income tax for the half-year ended 31 December 2003.

5. Contingent Assets and Liabilities

Since the June 2003 Annual Report, bank guarantees and monies held as security have increased by \$1,312,560 to \$1,775,678.

6. Segment Information

The consolidated entity operates in the Telecommunications industry in the geographical locations of Australia and New Zealand.

Geographic Segments	Australia		New Zealand		Consolidated	
	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$
Segment Revenue	31,012,597	17,179,925	5,790,435	-	36,803,032	17,179,925
Segment Assets	57,383,698	29,463,984	54,421,182	-	111,804,880	29,463,984

iiNET LIMITED

Notes to the Financial Statements For the Half-Year Ended 31 December 2003

7. Subsequent Events

On 27 February 2004, the directors of iiNet Limited declared an interim dividend on ordinary shares in respect of the December 2003 half year. The total amount of the dividend is \$ 1,986,548 which represents a fully franked dividend of 2.5 cents per share. The dividend has not been provided for in the 31 December 2003 half year financial statements.

The financial effects of the above event have not been recognised.

On 25 February 2004, iiNet announced that they have entered a contract with the Receiver of FlowCom Ltd and Flow Communications Pty Ltd (both Receiver and Manager appointed) to purchase the FlowCom ISP business, comprising primarily of Froggy Internet and Flow ADSL customer bases, with consideration for the acquisition being \$6.3 million cash.

Other than as disclosed above, subsequent to the reporting date, there has not been any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity, the results of the consolidated entity or the state of affairs of the consolidated entity in future financial years.

8. Additional Information

	CONSOLIDATED	
	2003	2002
	\$	\$
<i>Reconciliation of Retained Profits</i>		
Balance at beginning of the period	1,978,348	(905,716)
Net Profit attributable to the members of iiNet Limited	1,527,123	5,156,854
Dividends provided for or paid	(1,595,945)	(2,272,790)
Balance at the end of the period	<u>1,909,526</u>	<u>1,978,348</u>

Reconciliation of Foreign Currency Translation Reserve

Balance at beginning of the half year	-	-
Gain on translation of overseas controlled entities	80,410	-
Balance at the end of the half year	<u>80,410</u>	<u>-</u>

	2003		2002	
	#	\$	#	\$
<i>Reconciliation of Contributed Equity</i>				
Balance at beginning of the period	39,921,100	12,548,692	37,825,000	10,103,506
Issue of shares to vendors of ihug	23,746,269	41,555,971	-	-
Issue of shares to investors	14,924,147	30,594,501	-	-
Conversion of employee share options	795,400	691,614	2,096,100	2,445,186
Capital raising costs		(1,077,085)	-	-
Balance at end of the period	<u>79,386,916</u>	<u>84,313,693</u>	<u>39,921,100</u>	<u>12,548,692</u>

9. Tax Consolidations

The directors have not, at the date of this report, determined to enter into tax consolidation, however, the decision will be finalised prior to lodgement of the next tax return. It is not anticipated that tax consolidation would have a material impact on the financial report.



iiNet Limited **2003 Half Year Presentation**



iiNet Limited

ACN 068 628 937

ABN 48 068 628 937

Michael Malone – Managing Director
Clayton Hollingsworth - CFO



Performance Summary

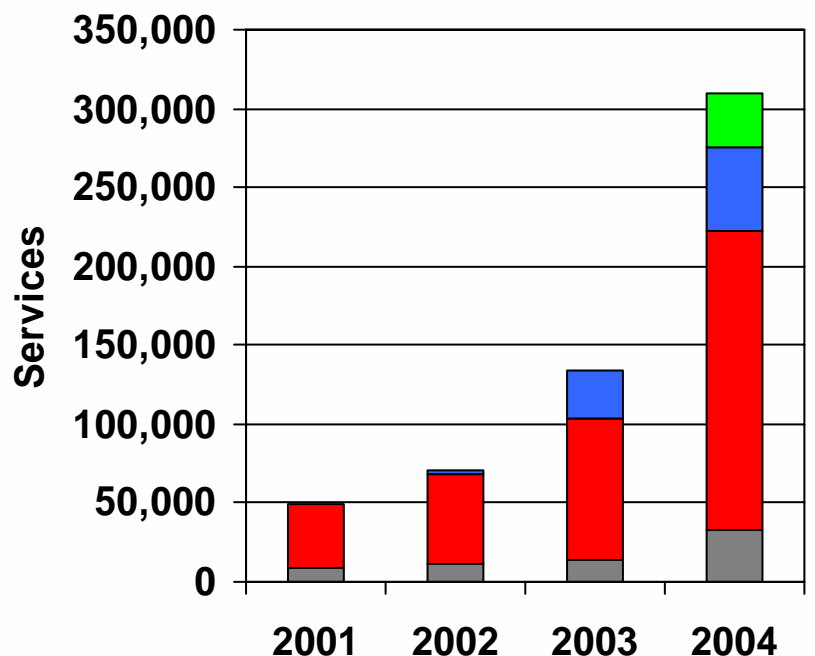
Half Year Ended 31 December (\$'000)	2002	2003	↑ %
Services (Integrated)	80,000	311,000	290%
Operating Revenue	17,180	36,803	114%
EBITDA	5,273	8,241	56%
Net Profit (before g/will)	2,419	3,717	54%
Goodwill Amortisation	118	2,190	
Net Profit (after goodwill)	2,301	1,527	

Half Year Performance Highlights

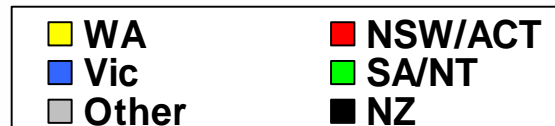
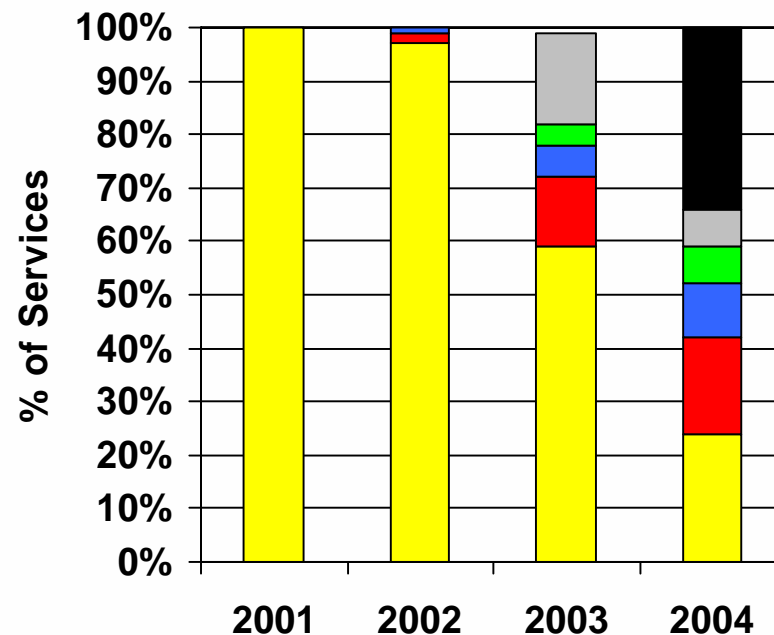
- ihug
 - Contributed for just over 2 months
- Acquisitions
 - Now integrated
 - Duplication of costs in the 1st half
 - Legacy networks closed
 - Infrastructure deployment slower than expected
 - Full contribution in 2nd half
- Organic
 - Continued growth in DSL
 - Growth in telephony
 - Bundling of access and telephony

Product and Geographic Mix

Product



Geographic



Integration of ihug

ihug[®]
your communications provider

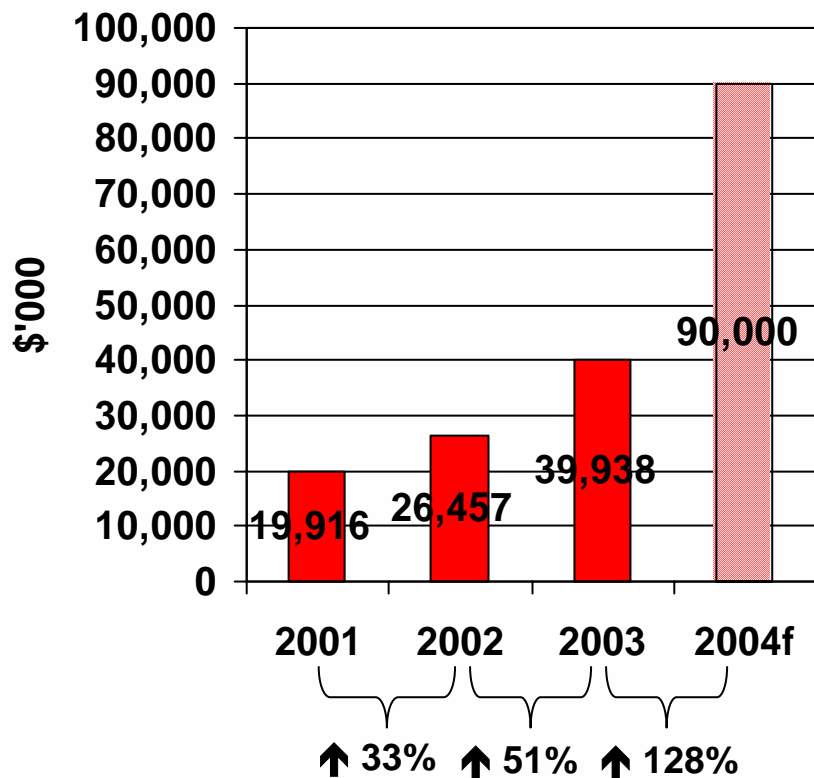
- Group
 - Corporate Services fully integrated across group
- Australia
 - ihug & iiNet integration fast tracked
 - ihug on iiNet infrastructure by May
 - ihug and iiNet products aligned by May
- New Zealand
 - Performing in line with expectation
 - Retention of ihug brand name

Performance **Second Half**

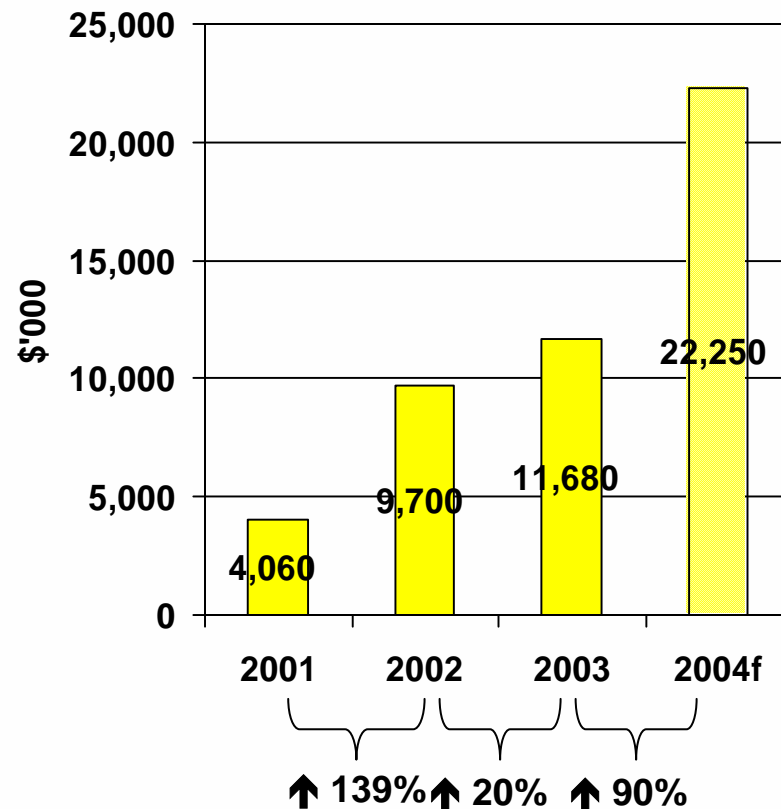
- Australia
 - Fast tracking integration
 - Short term impact on profitability
 - Set for growth in 2005
 - Focus
 - iiNet's leading Bliink (DSL) product
 - Bundling of voice with access
 - Froggy integration
- New Zealand
 - Focus
 - Phone services
 - DSL – Now able to differentiate product
- EBITDA expectation
 - ~\$14 million for 6 months ended 30 June 2004

Revenue and Earnings Growth

Revenue



EBITDA



The Scorecard

2001 – 2004 (1 – 3 years from 2001)

Exploit iiNet's cost base through acquisition
 National rollout of dial infrastructure
 Develop iiNet's position as a leading ISP

Status

- ✓ WA less than 25%
- ✓ National coverage
- ✓ 5th Australia 3rd New Zealand

2001 – 2006 (1 – 5 years from 2001)

Rapidly grow DSL customer base

- ✓ Second largest

2004 – 2006 (3 – 5 years from 2001)

Capitalise on DSL economies of scale

Scale achieved for DSLAM deployment

The Strategy Going Forward

1 – 2 years



Continue consolidation in Australia & New Zealand

1 – 5 years



Rapidly grow DSL and phone customers with an emphasis on bundling.

1 – 3 years



Improve cost base through infrastructure – DSL and VOIP

Continuing



Develop iiNet's position as a leading provider of access and voice services

Dial Up

Market

- Mature – 5.0 million subscribers
- Consolidation through acquisition
- 2005: 75% of online households dial up
- 2010: 55% of online households dial up

Infrastructure

- Sustainable cost advantage
- “One number” solution
- Deployment for ihug Australia

DSL

Market

- DSL - Fast growing product
- Number 2 in Australia
- Competitive market – confirms iiNet's Infrastructure focus



Infrastructure

- Pilot operational from January
- Sustainable cost reduction in DSLAMS
- Sufficient scale in 60+ exchanges
- Improvement in EBITDA + EBIT

Voice Telephony

Market

- ihug NZ: Preselect and VOIP
- ihug AU: Preselect
- Bundling
- Offer now to iiNet customers

Infrastructure

- VOIP network operating in NZ
- Feasibility study underway for Australia
- Dial infrastructure provides platform
- DSL provides scope to bypass Local Loop

Summary

- ihug & iiNet successfully integrating
- Froggy integration
- DSL competitive but growing
- Commence ADSL infrastructure roll in 2004
- Opportunities in voice
- Undertaking feasibility of VOIP
- Industry consolidation expected to continue
- Strong second half
- 2005 – benefits of acquisitions to be fully realised

Appendix Capital Structure

December (million)	2002	2003
Shares on issue (million)	38.0	79.5
Share price \$	0.90	2.90
Market Capitalisation (million)	34	230
Cash (million)	9.3	7.4
Debt (million)	1.5	0.5
Enterprise Value (million)	26.2	223