



**iiNET LIMITED
ANNUAL GENERAL MEETING OF SHAREHOLDERS
11.00 AM WESTERN AUSTRALIA, FRIDAY 28 NOVEMBER 2003**

CHAIRMAN'S ADDRESS

2003 was a watershed year for iiNet. The market capitalisation of your company has increased from \$36 million at this time last year to more than \$260 million today.

The improvement in the Company's performance is the culmination of a strategy adopted several years ago. That is:

- Create and maintain a low cost of service delivery;
- Exploit that low cost base through acquisitions;
- Transition dial up clients to broadband;
- Capitalise on broadband economies of scale.

Let me address the achievements of 2003 in light of that strategy.

In the past two years iiNet has made a significant investment in carrier infrastructure and established key relationships with Australia's primary carriers. This provided iiNet with one of the lowest cost bases for dial-up internet access nationally.

Until the 2003 year iiNet did not have the opportunity to exploit that cost base outside Western Australia. Through a series of selective acquisitions, iiNet has acquired and integrated more than 40,000 subscribers outside Western Australia. These acquisitions have provided iiNet with critical mass in those markets and have enabled the Company to commence the national rollout of its infrastructure. I am pleased to say today that this rollout has gone to plan with acquired clients on track to be on iiNet infrastructure in all states, excluding the Northern Territory, by early January. This will enable iiNet to maximise returns from that client base with a substantial increase in contribution evident in the second half.

To enable iiNet to achieve similar success in broadband the company was conscious of the need to gain economies of scale with the longer term objective of deploying its own infrastructure to support this service. During 2003 iiNet has become one of Australia's largest providers of DSL. Today there are more than 42,000 DSL clients in the iiNet Group.

Financially iiNet's strategy started to bear fruit with the Company reporting record revenues and profits of \$40 million and \$5.2 million respectively in 2003. The company finished the year with a healthy balance sheet and cash reserves totalling \$8.6 million. Earnings per share increased to 13.4 cents and fully franked dividends totalling 5 cents were declared and paid.

To cap off a successful year iiNet announced in September the acquisition of ihug, a significant ISP in Australia and New Zealand. Having now completed that acquisition iiNet boasts over 300,000 clients using dial up, DSL, Satellite and telephony services.

Shareholders were provided the opportunity to vote on this proposed acquisition on 17 October 2003. The support from shareholders was overwhelming. I am pleased to report that iiNet's group performance, including ihug, is tracking inline with expectations set out in the notice of meeting information memorandum.

Today iiNet is the fifth largest ISP in Australia and the third largest in New Zealand. Approximately 75% of iiNet's customers and more than half of its staff are now outside its home state of Western Australia.

With the changing scope of the business the composition of the Board has also evolved. At the Company's recent General Meeting Keith Goodall who is based in Auckland was appointed to the Board by shareholders. It is proposed in the current Notice of Meeting that Peter James will join him. Peter is based in Sydney and a brief resume is set out in the notice of meeting. Peter has considerable management and corporate skills which will be of great value to the Board. Also present today is Lindsay Fergusson who joined the Board yesterday. Lindsay is also based in Auckland and has extensive commercial and marketing experience in the USA, Europe, and Asia/Pacific, including 17 years as a CEO. He is a former director of the Reserve Bank of New Zealand and is a fellow of the Institute of Directors in New Zealand. The iiNet board now comprises a broad range of skills and has a strong weighting to non-executive directors with domiciles across Australia and New Zealand.

I would like to take this opportunity to thank Dennis Banks who has decided not to seek re-election at this meeting. Dennis has been with iiNet since listing and has made a significant contribution to the company in that time. His contribution is appreciated.

I also take the opportunity of thanking our chief executive, Michael Malone and his hard working team who have worked tirelessly this year to successfully grow the business.

The Company is financially healthy, has a strong customer base and continues to explore acquisition opportunities that make commercial and financial sense. We trust that the 2004 year will be similarly rewarding.