

Full year 2009 results presentation

17th August 2009



1 – Key highlights

2 – Financial performance

3 – Operational review

4 – Strategy and outlook

5 – Q&A

Strong financial performance

- Revenue up 67% to \$418.3m (FY08: \$251.2m)
- EBITDA up 42% to \$67.2m (FY08: \$47.4m)
- EBIT up 43% to \$38.6m (FY08: \$27.0m)
- NPAT up 44% to \$25.6m (FY08: \$17.8m)

Increased EPS and dividend

- EPS up 22% to 16.9 cents per share
- Final fully franked dividend of 5 cents per share, taking total to 8 cps for FY09 (FY08: 7 cps)

Strong balance sheet

- Gearing low at 7% net debt / equity and 18x interest cover: EBIT
- Existing bank facility extended to June 2012 and increased to \$60m

Platform for growth

- 47,500 new DSL customers added
- Total services up 10% to 753,585
- Naked customers up 123% to 67,024
- Westnet – synergies forecast to grow in FY10
- Pipe bandwidth agreement in place – access to lower cost bandwidth from FY10
- Cape Town call centre fully operational and achieving productivity improvements

Strong focus on sales, service and product

- Call centre service levels continuing to outperform:
 - Net Promoter Score up to 44%
 - Churn down 25 bps to 1.83% per month
- Successful brand campaign launches in Brisbane and Melbourne driving new sales
- Delivering one new product per month - BoB wireless hub launched last week
- Small business unit revenues up 43% to \$24.3m in multi-billion dollar market

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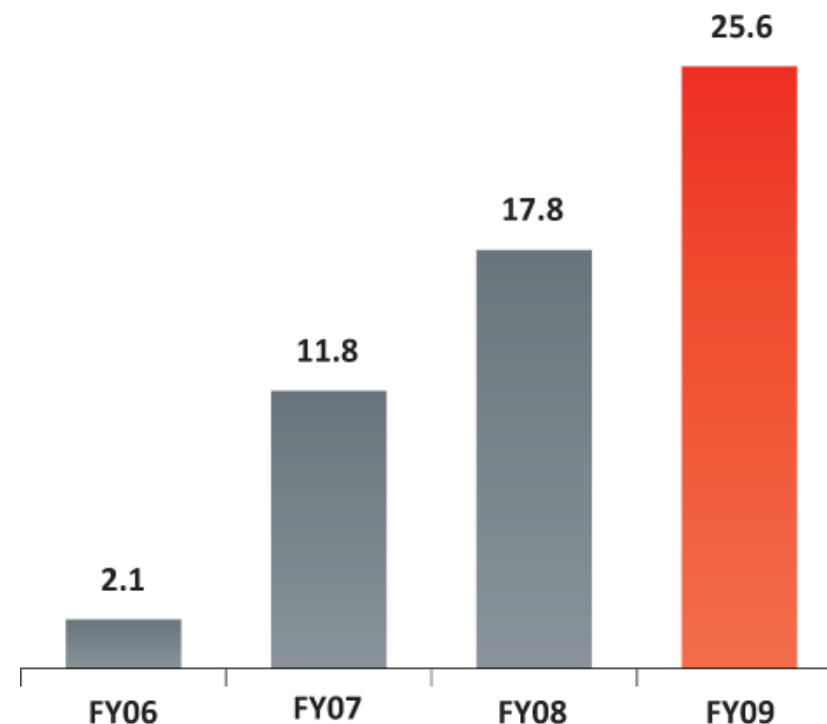
5 – Q&A

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\$m	FY09	FY08*	Change
Revenue	418.3	251.2	+67%
EBITDA	67.2	47.4	+42%
EBIT	38.6	27.0	+43%
NPAT	25.6	17.8	+44%
EPS (cps)	16.9	13.9	+22%

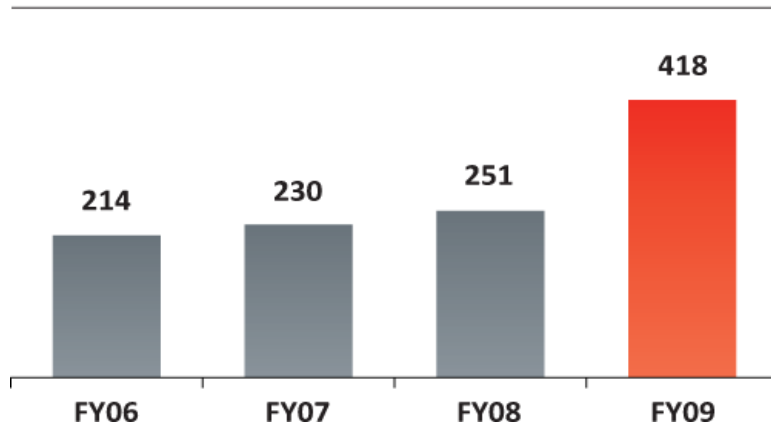
**Note: FY08 excludes one-off \$2.1m rebate from stamp duty ruling*

Underlying NPAT
\$m



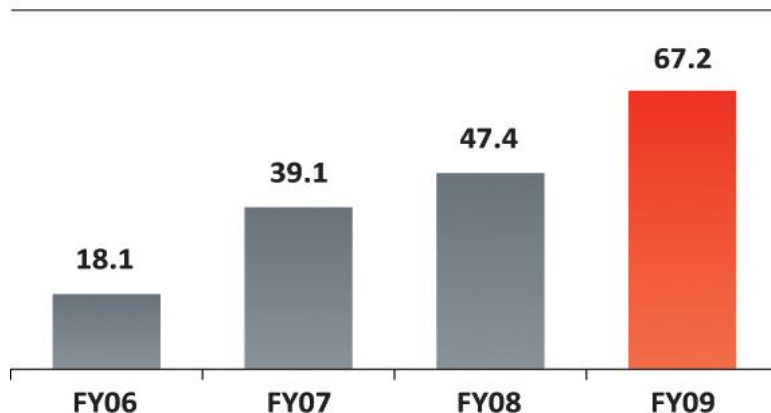
Delivering over \$400m revenue for the first time

Revenue
\$m



- Revenue up 67% to \$418m
- 47,500 new DSL customers
- Inclusion of Westnet for full 12 months

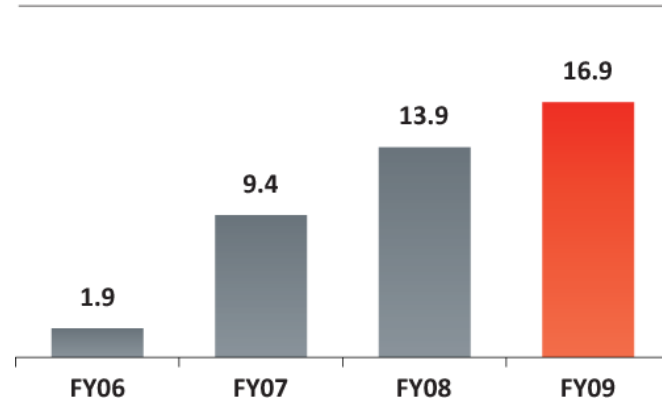
Underlying EBITDA
\$m



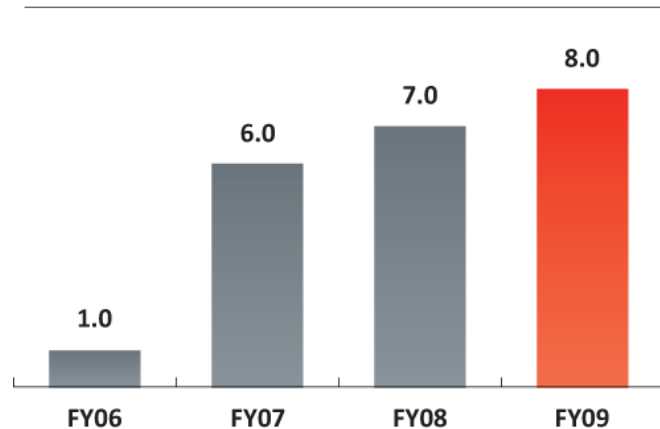
- Underlying EBITDA up 42% to \$67.2m
- Margin reduced by inclusion of Westnet
- Further synergies and operational efficiencies to drive margin improvement in FY10

EPS, ROE and DPS all increasing

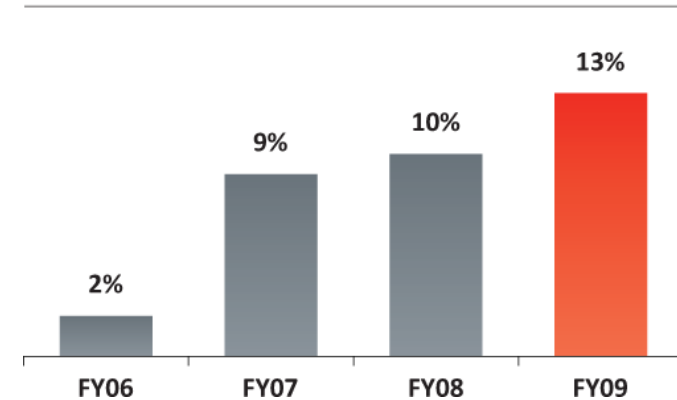
Earnings per Share
cents



Dividends per Share
cents



Return on Equity
%



- EPS lifting through combination of strong organic growth and Westnet synergies
- ROE continuing to improve
- Earnings growth and continuing strong cash flows supporting dividend growth

Growing operating cash flows despite tough economy



\$m	FY09	FY08
Operating cash flow	67.8	58.1
Less: LSS & stamp duty rebates	-	(15.9)
Underlying operating cash flow	67.8	42.2
Tax	(16.6)	(0.9)
Interest	(2.1)	1.8
Capex	(28.2)	(23.0)
Free cash flow	20.9	20.1

61% growth in operating cash flows

FY09 includes \$11m tax for FY08

Investment in Westnet synergies

Estimated capital expenditure of \$30m in FY10 to drive further growth

Strong balance sheet with low gearing

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\$m	FY 09
Opening gross debt	32.8
Net repayment of borrowings	(6.2)
Net decrease in finance leases	(1.7)
Closing gross debt	24.9
Cash at bank	(9.8)
Net debt	15.1
Shareholder's equity	201.6
Gearing (13% at 30 June 2008)	7%

\$m	FY 09
Free cash flow	20.9
Net repayment of borrowings	(6.2)
Repayment of finance leases	(3.0)
Dividends paid & share buy-back	(11.2)
Net cash increase	0.5

Whilst distributing free cash to our shareholders

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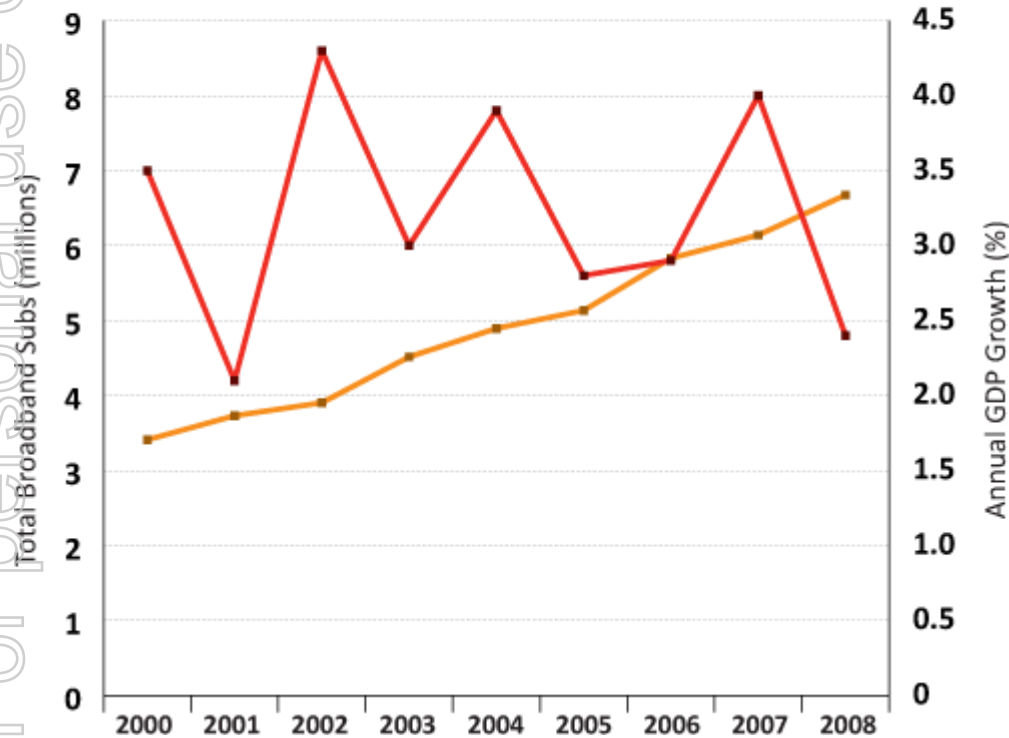
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Broadband take-up not slowed by economic issues

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Australian GDP Growth vs Broadband Subs

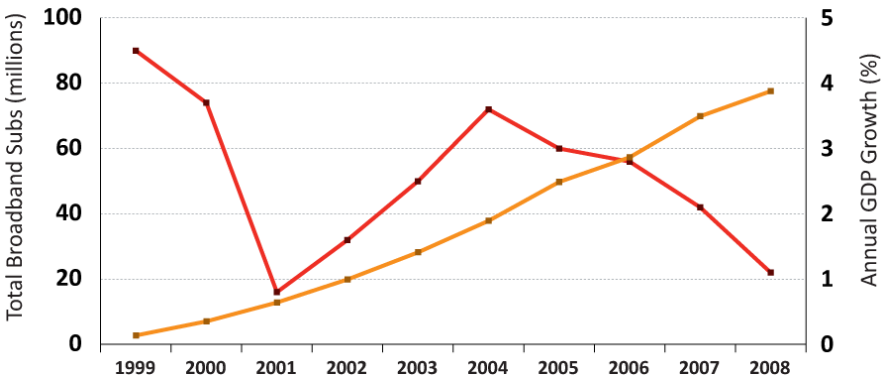
Broadband Subs GDP Growth



Source: Trading Economics, Australian Bureau of Statistics and management estimates

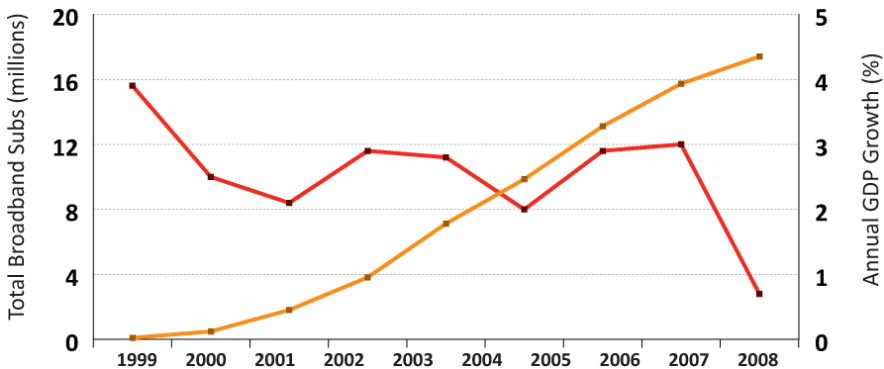
US GDP Growth vs Broadband Subs

Broadband Subs GDP Growth

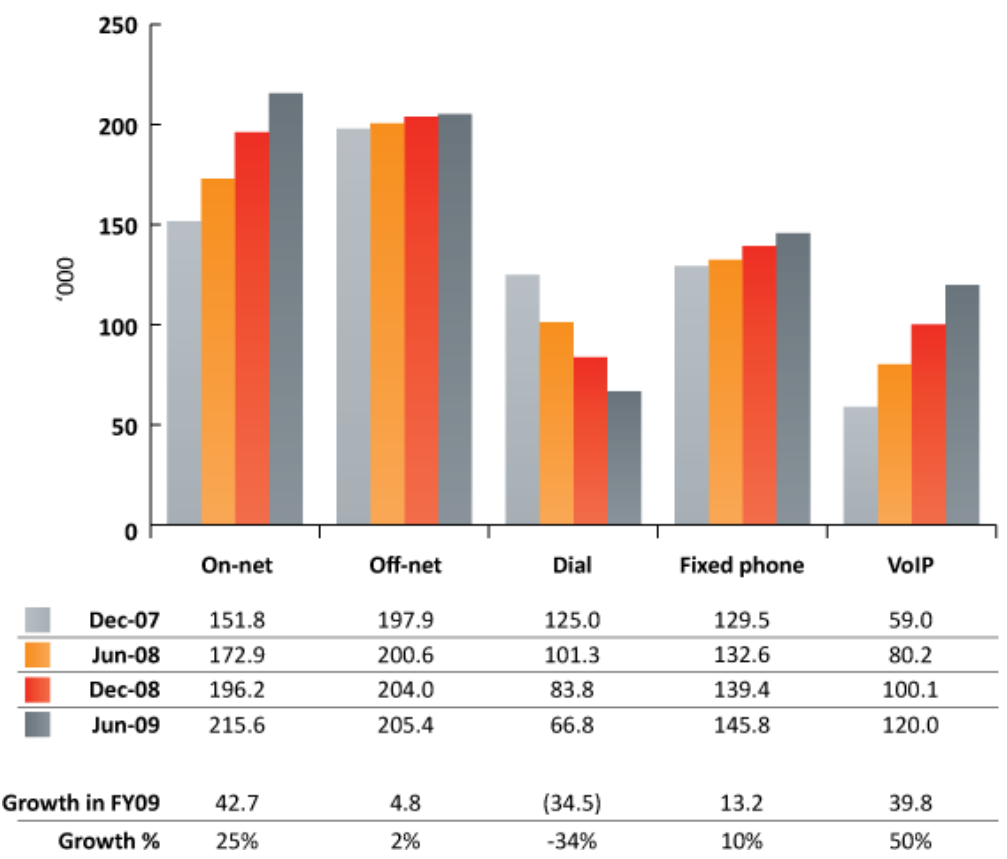


UK GDP Growth vs Broadband Subs

Broadband Subs GDP Growth



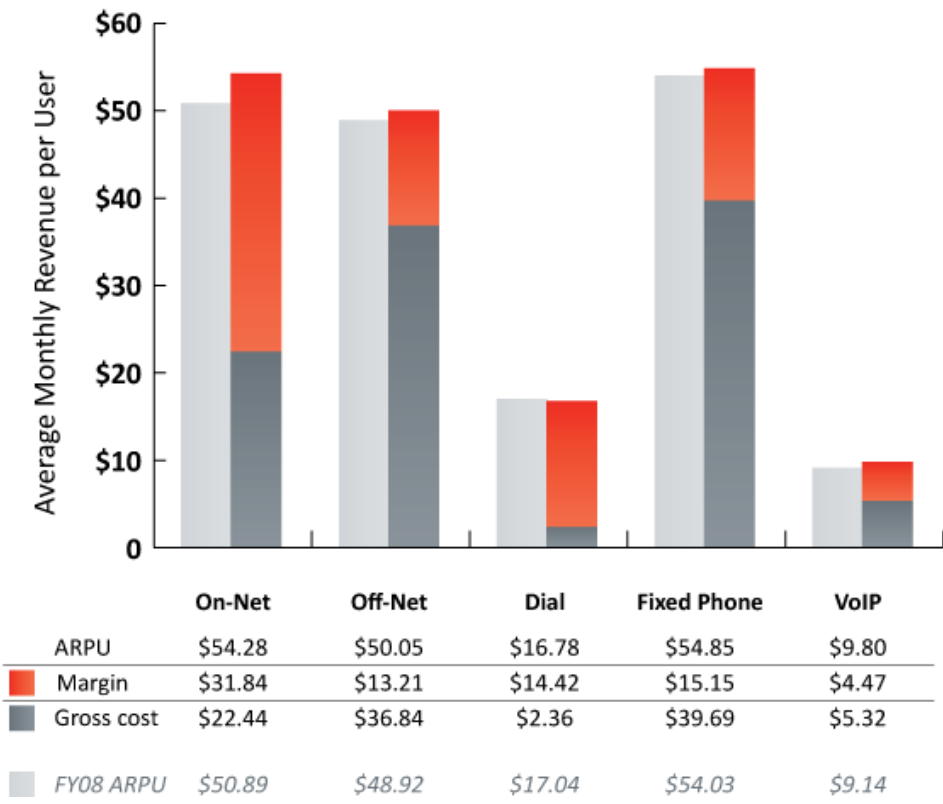
Subscriber numbers



Note: Subscriber numbers include Westnet in all prior periods

- 47,500 new DSL subscribers
- Naked continues to grow on-net and VoIP
- Westnet growing off-net and fixed phone
- Successful brand campaigns in Brisbane, Perth and Sydney
- Higher customer satisfaction levels reducing churn to 1.8% per month

ARPU and margins



- Increased on-net ARPU as a result of the higher Naked mix
- Increased off-net ARPU as a result of Westnet mix on higher speed plans
- Increased ARPU on fixed phone due to price increases and higher ARPU Westnet customers

Note: Gross cost is network and carrier cost only and excludes allocated depreciation, amortisation and employee expenses.

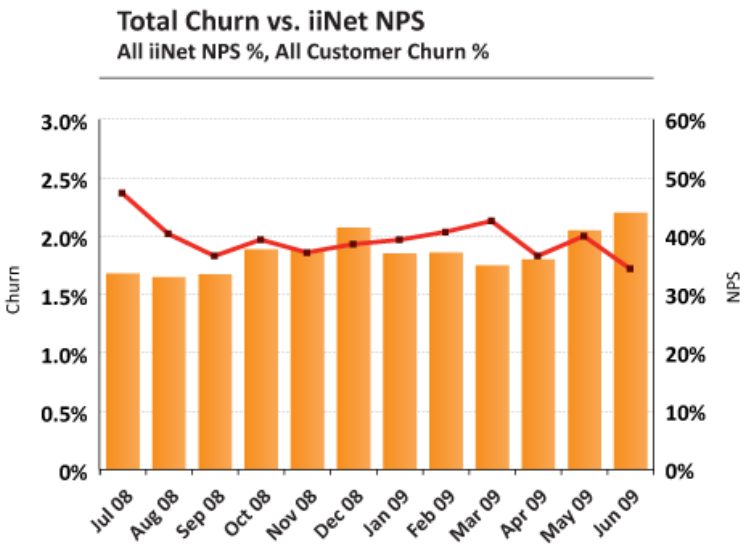
Lower churn – good service is good business



Perth Contact Centre awarded *Teleservices Centre of the Year*,
Finalists for national awards in
September



Winners of ACCOMS
'Commitment to Customer
Service' award 2009



Cape Town

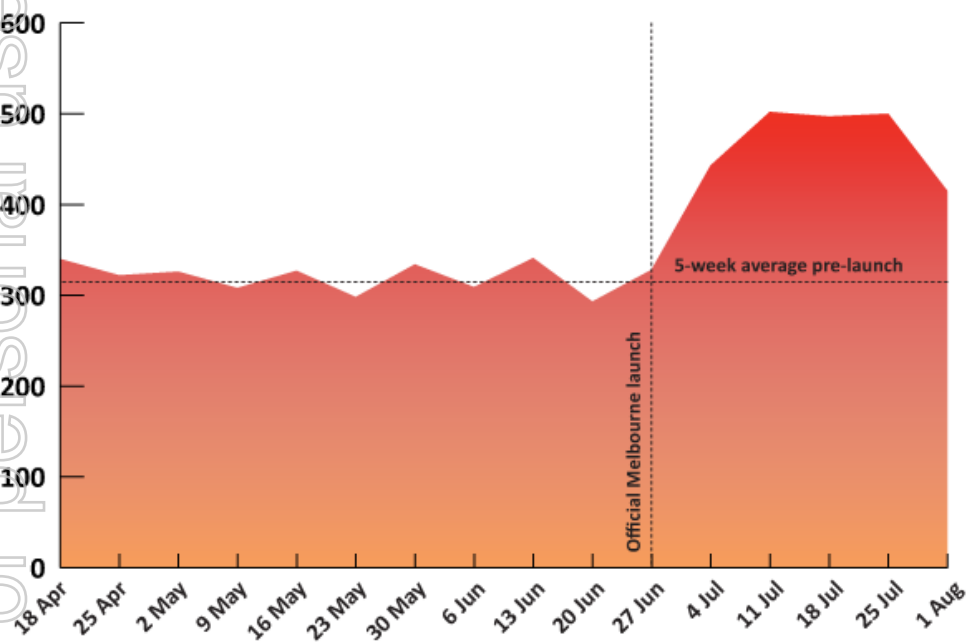
Perth

Sydney

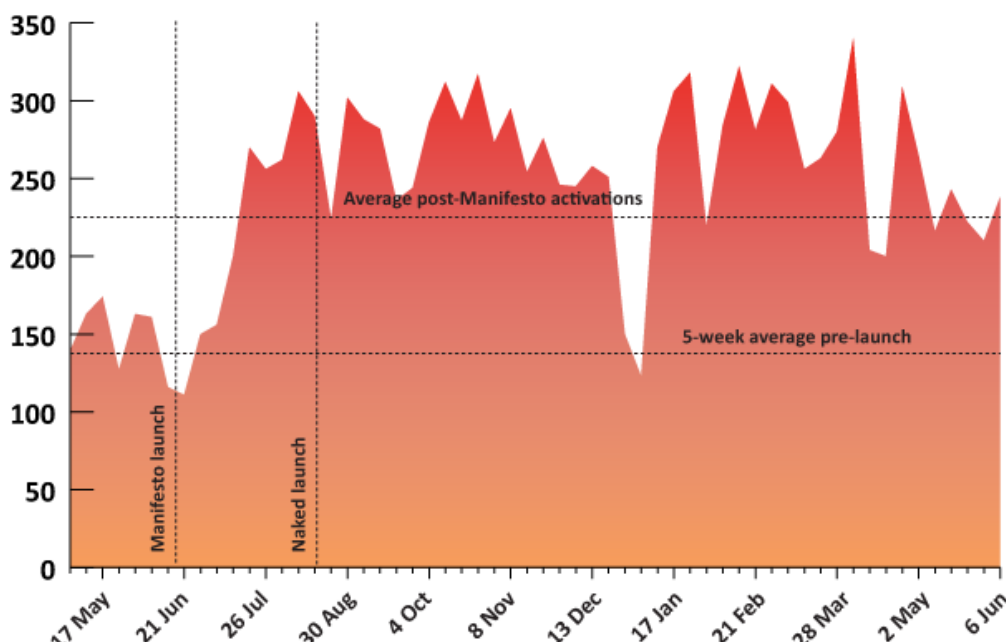
Auckland

Follow the Sun: uniting four locations
to operate as one contact centre

VIC ADSL activations



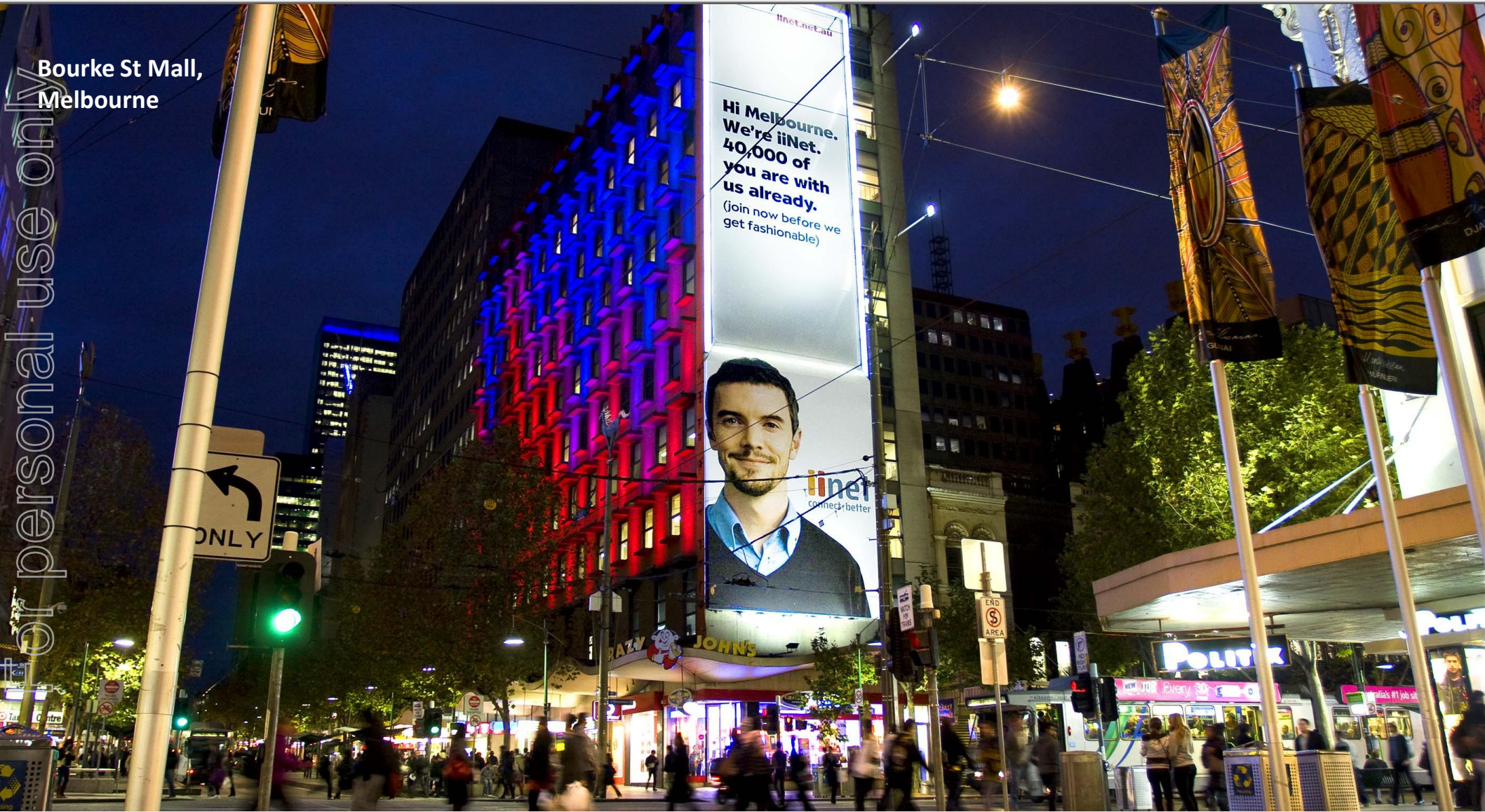
QLD ADSL activations



Finn campaign in four states

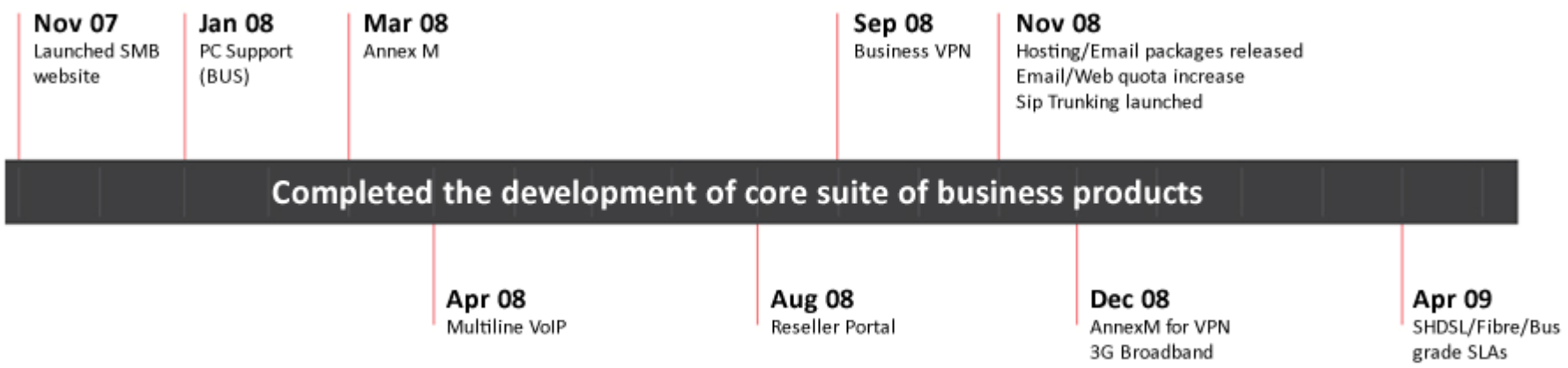


Bourke St Mall,
Melbourne



- A key growth opportunity for iiNet with revenue up 43% to \$24.3m in FY09 in a multi-billion dollar market
- Product innovation driving growth

\$m	FY09	FY08	Change
Internet access	18.4	11.5	+60%
Telephony	5.3	5.0	+6%
Other (hardware, setups etc.)	0.6	0.5	+20%
TOTAL	24.3	17.0	+43%



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Service

Brand

Content

Consolidation

Customer Service Objective

To achieve world's best service when and how the customer wants it as measured by NPS > 50%

Objective 1

Achieve resolution on first contact with customers

Objective 2

Provide services in a seamless, quick and well communicated manner

Objective 3

Ensure customer support is provided in a timely manner

Objective 4

Provide world class customer 'self-help' tools including sign-up, toolbox and website

Objective 5

Provide outstanding, practical tools to help staff service customers efficiently

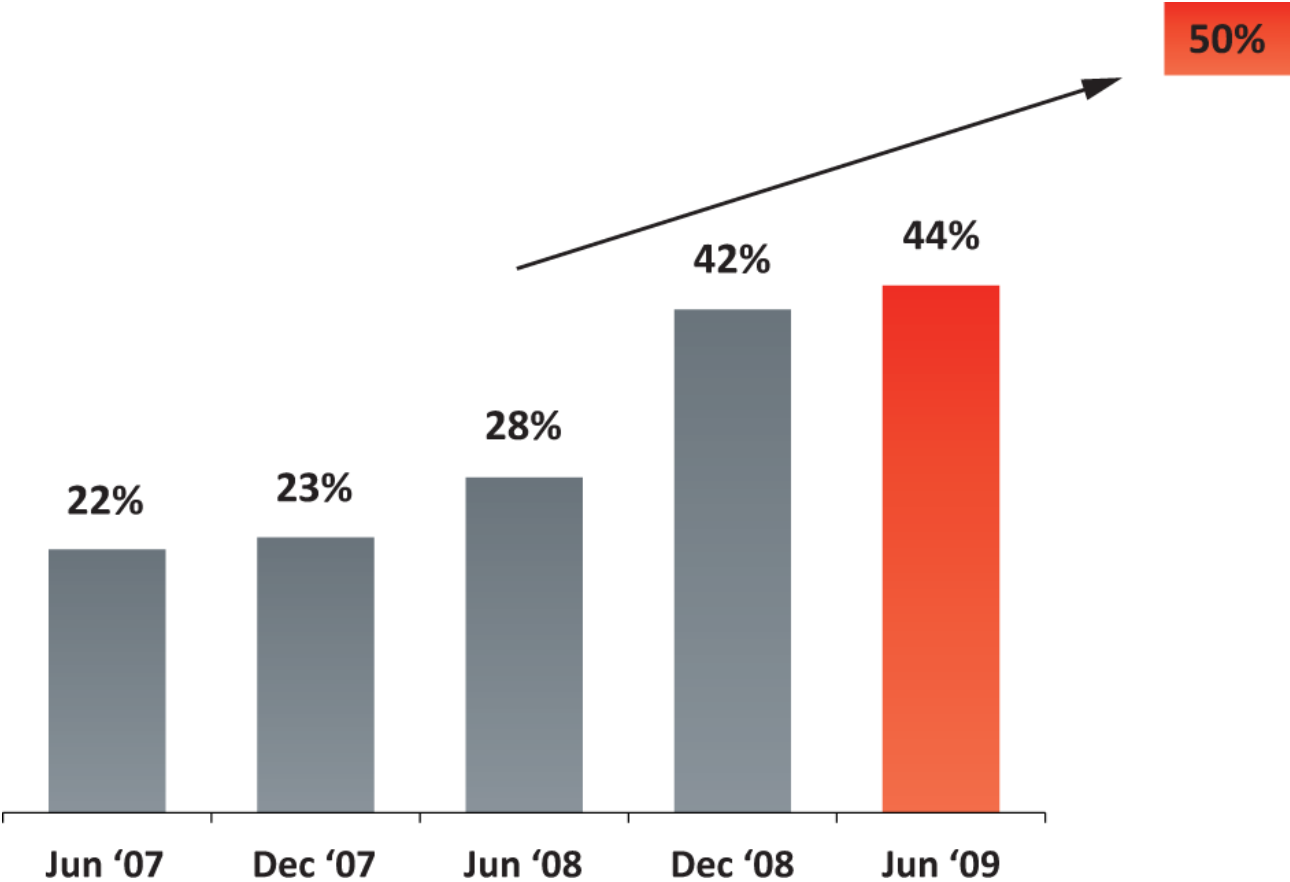
Objective 6

Ensure staff feel able, willing and happy to provide the best possible service to the customer

Improvements to date:

- Virtual hold and scheduled call backs introduced – reducing wait times
- Staff work-from-home – improving staff satisfaction which translates to better customer service
- IVR improvements – less time on the phone for the customer
- Customer loyalty incentives – rewards for high tenure
- Service delivery improvements – reducing delays from when a customer sign up to activation of the service
- Improved relocation process – eliminating the easy churn option
- Smart routing – getting the customer to the right agent in less time.

Net Promoter Score – ticking up nicely towards target



Three part sales strategy

iiNet's marketing strategy is simple: maximising the number of customer contacts per marketing dollar and increasing the rate that those contacts are converted to activations.

Win hearts

Drive customer awareness



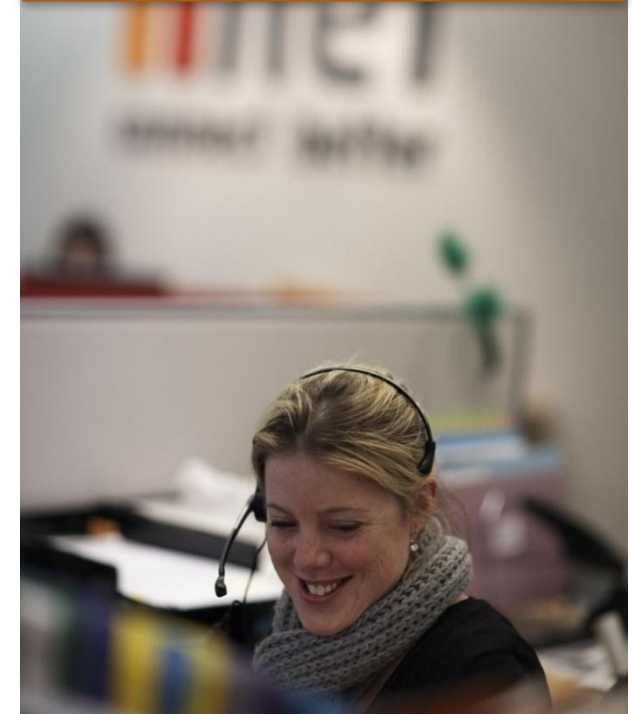
Win minds

Drive customers to contact us

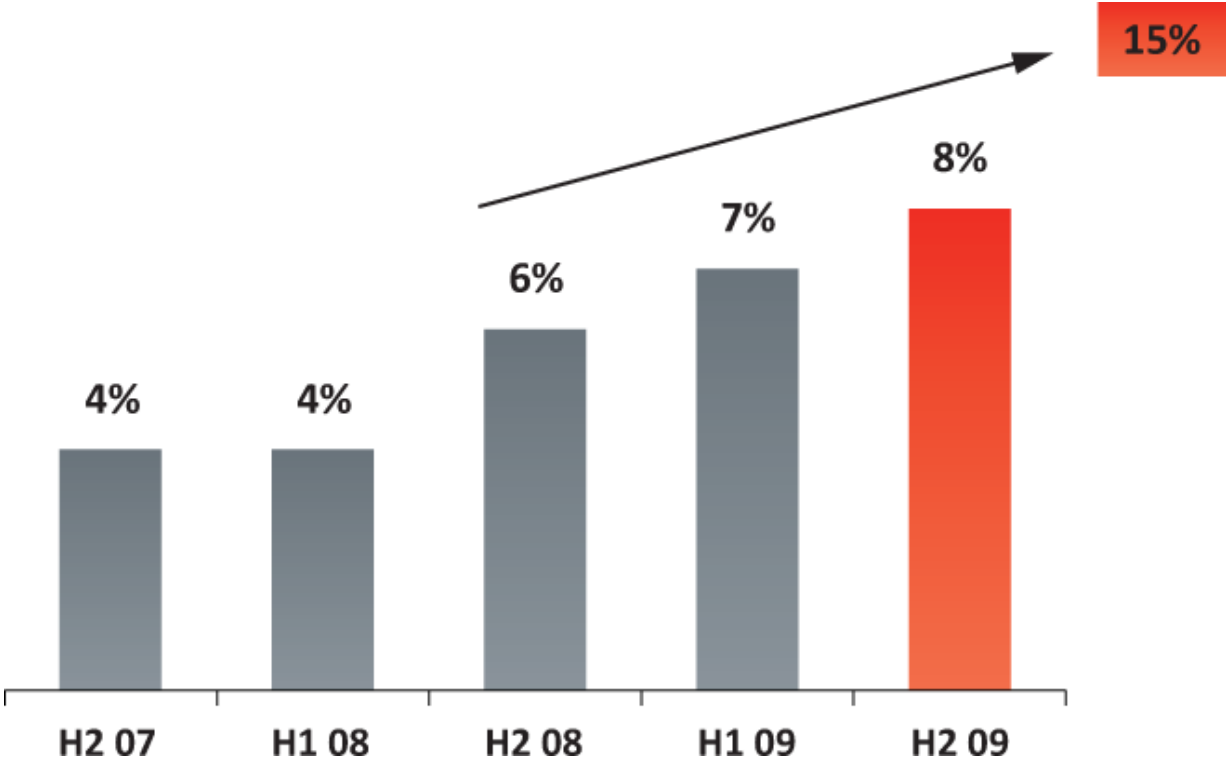


Win wallets

Convert contacts into sales



Broadband market share – continuing to grow

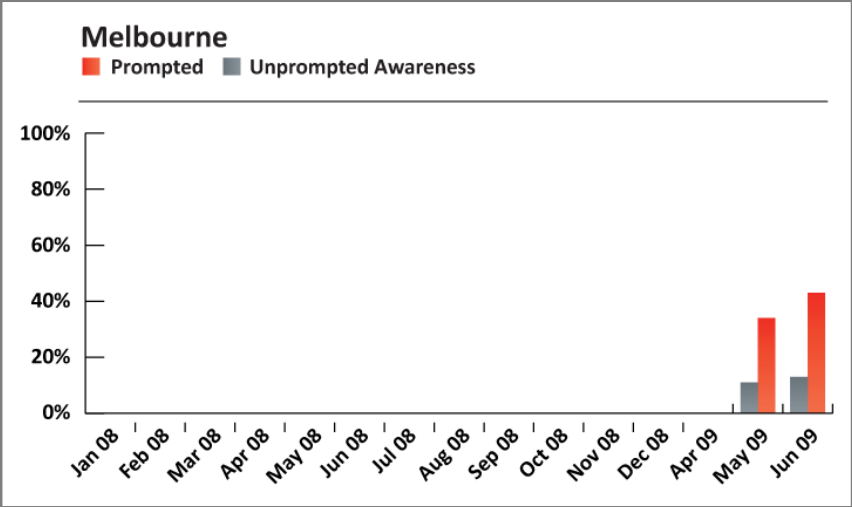
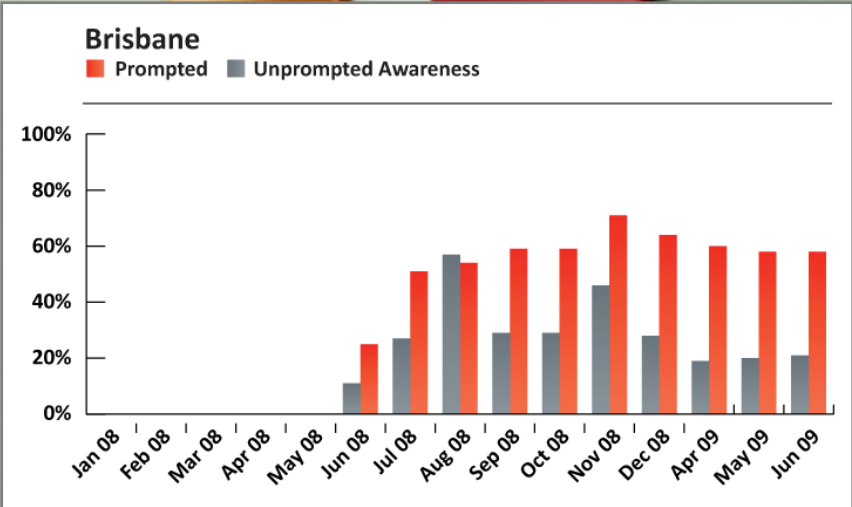
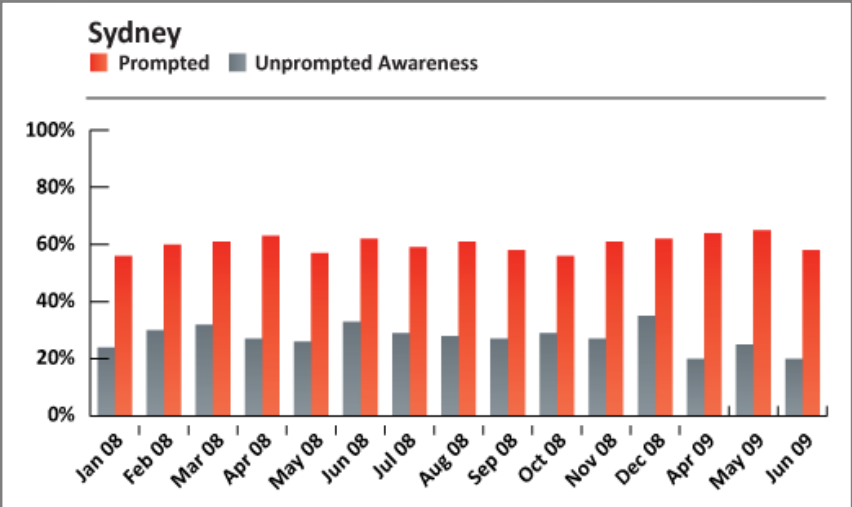
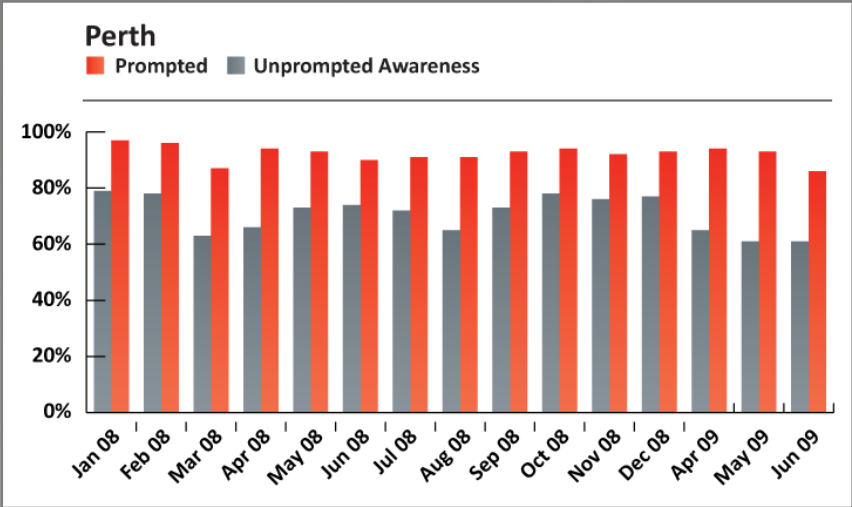


Source: Telsyte Market Reports

Progress towards strategic targets – brand by state



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Product development – rapidly growing “honey pot” of content to the PC

July 2008

Revamp broadband quotas
Launched iView in the Freezone



September 2008

1GB web storage on all broadband and dial plans
WASO launched in the Freezone



November 2008

Partnership with Starbucks to provide Wi-Fi in 23 stores
Xbox 360 downloads and gaming in the Freezone



February 2009

On-demand performance of the Perth International Festival of Arts in the Freezone
Super 14 Rugby in Freezone



May 2009

Perth Racing added to Freezone



August 2008

Premier League in the Freezone
iTunes movies in the Freezone



October 2008

Wildcats & QuikFlix in Freezone
100+ radion stations in Freezone



December 2008

3 Partnership - mobile broadband
SIP Trunking for business
NineMSN news content added



March 2009

Loco TV added to Freezone



June 2009

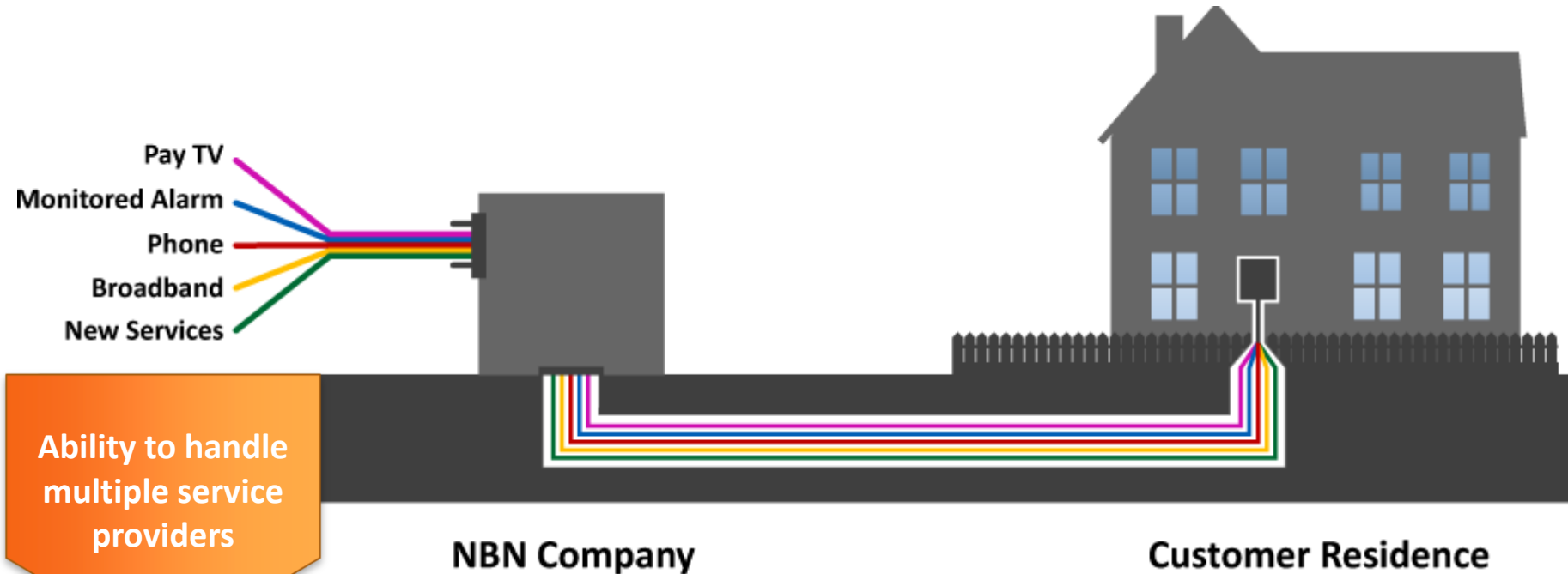
Partnerships with Hypernia and Snapfish
4x4 WA, ABSA Currie Cup & Air New Zealand Cup in Freezone

And BoB™ has arrived...

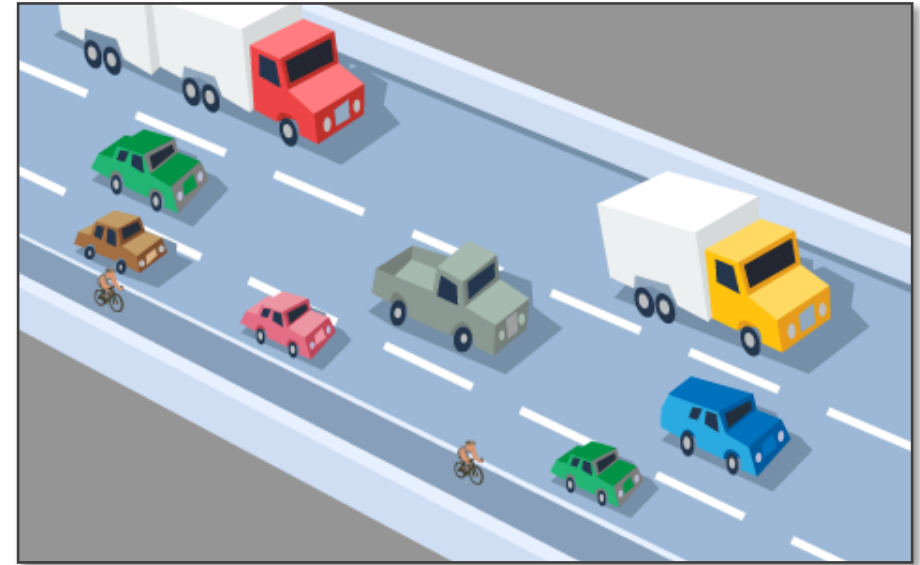
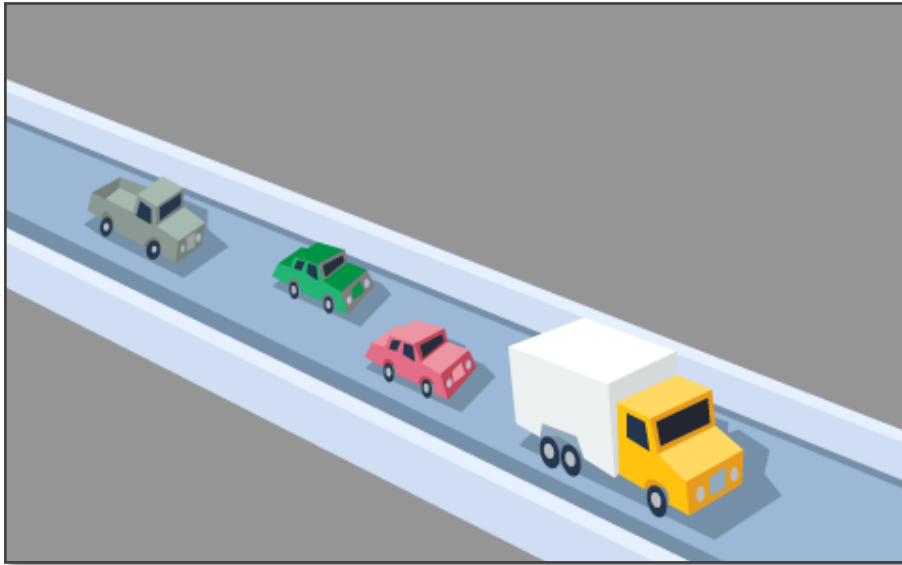
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**Finally, the internet
and telephone
are one.**



- Regulatory policy must support a multiple service provider environment
- The physical and technical systems must also be able to cope
- Immediate implications, the momentum on NBN has started



- A fair and equitable NBN framework will effectively 'widen the road' of services that can be provided to households and businesses
- Opens up product, service and partnership opportunities for service providers

Service

- Continue to invest in service and ensure service permeates our culture
- Focus on new service initiatives like one-call resolution, simplified online services etc
- Generate further improvements to the delivery of services to new customers
- Maximise customer benefit of lower cost international bandwidth via Pipe
- Continued pursuit of favourable regulatory environment for the customer

Brand

- Build on the success of the recent marketing campaigns in four states
- Increase awareness of Westnet's Humanology brand campaign in regional areas
- Continue to improve awareness and conversion efficiency to drive new sales

Content

- Product innovation – BoB™ has arrived and IPTV will come soon
- Enhanced Freezone
- Breaking out into other content areas such as gaming, kids, news, etc...

Consolidation

- Continue to pursue opportunities that will add value to shareholders

Excellent results – FY09 was a year of significant growth for iiNet

- Increasing subscribers
- Further improvements to already high service levels
- Focus on sales & service excellence
- Westnet

Strong balance sheet

- Facilities extended to June 2012 with further headroom for growth
- On-market share buy-back and higher dividend

Progressing well towards strategic targets

Well positioned to continue to grow shareholder value

- Attractive market fundamentals
- Growing market share
- Significant organic growth opportunities
- Lead further consolidation

Questions?

Assembling the P&L

	Average Subscribers '000	ARPU \$	FY 09 Revenue \$m	AMPU \$	FY 09 Gross Margin \$m
On-net	194.2	54.28	126.5	31.84	74.2
Off-net	203.0	50.05	121.9	13.21	32.2
Dial	84.1	16.78	16.9	14.42	14.6
Fixed line phone	139.2	54.85	91.6	15.15	25.3
VoIP	100.1	9.80	11.8	4.47	5.4
Other <i>(hardware, setups, wholesale etc.)</i>			49.6		21.8
TOTAL (gross margin is after network and carrier costs)			418.3		173.5
Allocation of D&A					(22.6)
Allocation of overheads					(61.1)
Gross margin per Appendix 4E					89.8

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Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from iiNet Limited’s current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.

