



CITIGROUP MICROCAP CONFERENCE

A YEAR OF GROWTH - A LIFETIME OF POTENTIAL





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Key Highlights

- PIPE Networks has grown rapidly over the past eighteen months with the fibre network growing from 75km at June 30, 2005 to a **nearly 800km** by Jan 31, 2007.
- As a result of contract success the company has completed construction of **Australia's third largest metro fibre network**
- Disciplined approach to investment in infrastructure which has led to **significant increase in profitability** and further strengthened our balance sheet



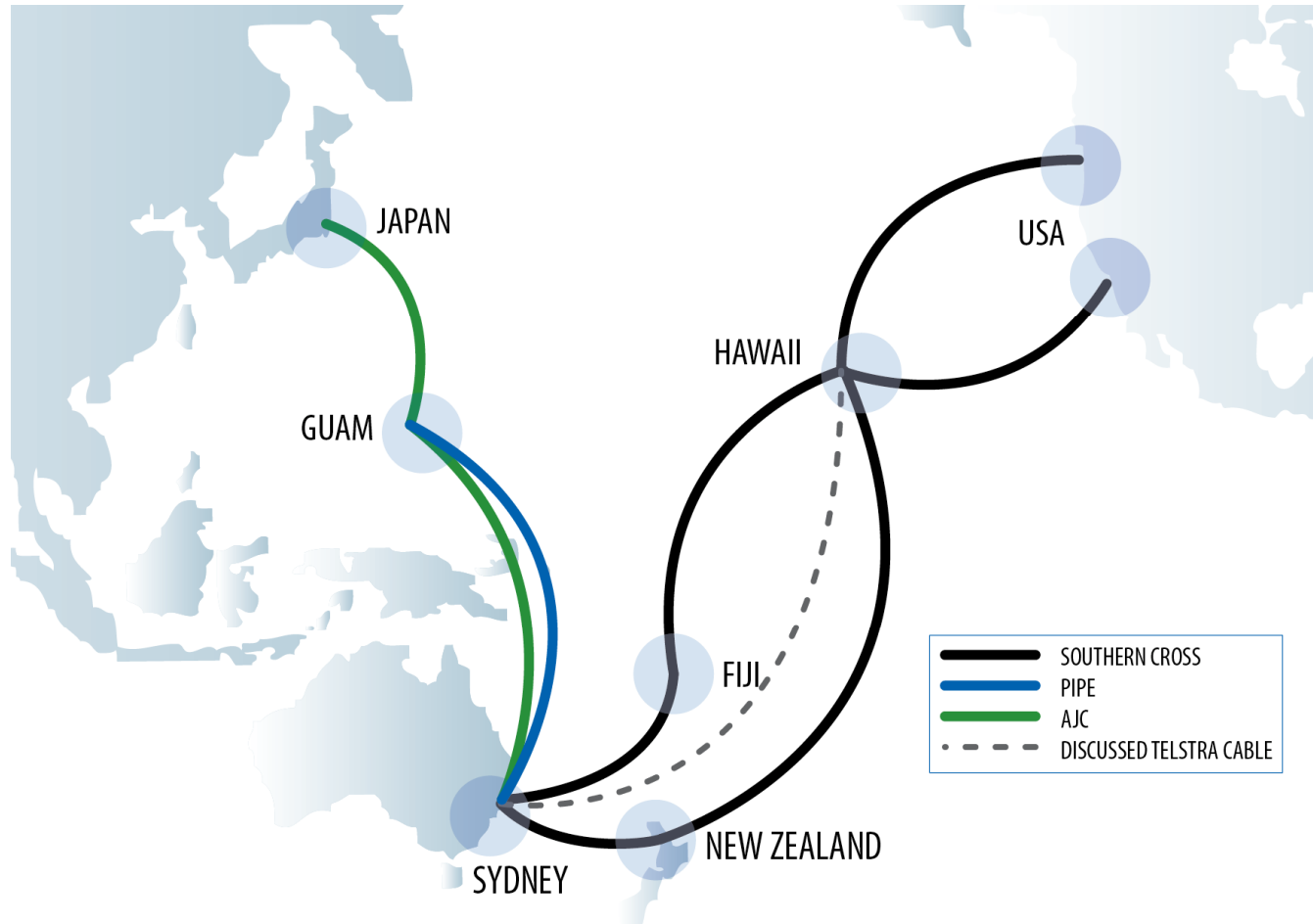
Financial Strength

- Revenue first half of 11.16M and expect approx \$23M revenue for full year
- Increase NPAT to 2.35M% for first half and re-iterate current guidance of \$4.7M - \$5M
- Finalising expansion of existing debt facility with ANZ bank to over \$20M
- Strong positive cashflow



PROJECT RUNWAY THE SYDNEY TO GUAM CABLE

Major International Transmission





Project Runway – Fast Facts

- **Approx 6,400km fibre cable connecting Sydney to Guam**
- **2 Pair fibre system with either 64 or 96 10G wavelengths per pair**
- **Total initial design capacity either 1.28 or 1.92 terabits per second**
- **Cost of approx AU\$200M**
- **Q4 2008 RFS Date**



The problem

- **Australia->US capacity is 20 times more expensive than Japan->US**
- **There has been little movement in unit pricing of bandwidth to Australia**
- **Existing systems currently owned by members of the Gang-of-Four**
- **Due to limited competition existing providers see little/no incentive to reduce pricing**



Australia to US pricing – A Guide

- **SX Non-diverse single 10G IRU between Australia and US (15 years) approx US\$75M**
- **AJC non-diverse single 10G IRU between Australia and US (15 Years) approx US\$67.5M**
- **Project Runway – significantly reduced pricing... Sorry 😊**



Fibre to the Node (FTTN) Australia's New Information Superhighway?



Fibre to the Node (FTTN) The Next Cross-City Tunnel?



FTTN and Runway

- **Are the current FTTN proposals seriously suggesting we ‘block access’ to competition in the same way NSW agreed to force road-closures to provide financial ‘certainty’.**
- **Serious consideration needs to be given at all level of politics with respect to the issues surrounding ANY attempt to restrict competition in order to push the ‘business case’ through.**
- **FTTN could be a good thing, but failure to acknowledge the need for continued infrastructure based competition will be disasterous.**
- **In addition to competition, pricing for international transmission will be the biggest key to people even being able to use their ‘high speed connection’**



FTTN and Runway

- the importance of competitive international transmission - example

Telstra Bigpond current 12GB plan shaped to 64kb/s thereafter

- Provides approx **2.25 hours of HDTV per month** (9 minutes per day) before being shaped
- Users can only **use approximately 33 seconds 'true broadband' per day** per person without activating shaping (based on a 4 person family)



FTTN and Runway

- the importance of competitive international transmission

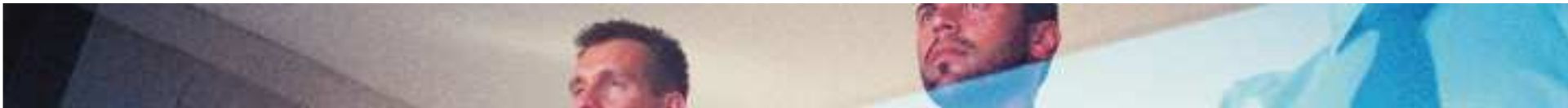
Telstra Bigpond current 400MB plan with a 15c/MB in/out excess data charge

- Users could use just over **1 second of 'true broadband' per day** before excess quotas started to apply by months end (assuming 4 users in a 4 person family)
- If a user actually used the full 12/12mb/s service all month the **excess data charges** applied to users would be **over \$1,166,000 per month**



IN SUMMARY

- **Re-iterate guidance**
- **FTTN – watch this space**
- **Runway a clear beneficiary of any FTTN announcement**
- **Company continually reviewing guidance will provide a guidance update once the impact of new products and services are able to be more accurately quantified**



Thank you

This concludes our presentation