

Further submission from iinet – 2 February 2009

Having reviewed Telstra's spreadsheet purporting to be "*...financial analysis of Optus and iiNet's data...*" and proposing "*...at a \$30 ULLS price in band 2, they will earn EBIT margins of 40.62% and 46.75%, respectively, from services supplied using ULLS.*" We find the figures used to argue Telstra's case to be misleading.

Telstra has added items in their argument that have nothing to do with ULLS. For example, included in the service numbers presented by Telstra are LSS based services which need to be excluded. Additionally, they make an assumption that our bundling rate for telephony and broadband services is 100% across our customer base, and appear to have simply added the ARPUs for both these products across all services.

By correcting for these two errors alone, we calculate that our weighted gross margin on ULL based services is about half of Telstra's fabrication and delivers a weighted EBITDA of 22.7% rather than the 50% to 51% suggested. This is based on a ULLS access charge at \$16 (we have customers in bands 1, 2 & 3).

If we were to apply the \$30 ambit price we find our weighted EBITDA would fall to 1.2%.

Excluding LSS customers and correcting for a 100% bundling rate does not require disclosure of confidential material.