ASX Release

iiNet delivers another year of exceptional growth

15 August 2011 – iiNet Limited's (ASX: IIN) industry leading service levels, innovative products, scale and successful integrations of recently acquired businesses, drove continued strong growth in revenue and earnings according to its 2011 full-year results released today.

Michael Malone, Chief Executive Officer, said iiNet's revenue was up 48 per cent to $699 million, underlying EBITDA was up 30 per cent to $105 million, and subscriber services were up 36% to over 1.3 million.

"iiNet continued doing what we do best, delivering on our focused strategy and growing the business across all key metrics. 2011 was a landmark year in which we realised our ambitious goal of becoming the leading challenger brand in the Australian residential telecommunications market, the new No. 2, with 641,000 broadband DSL subscribers.

"Even with increased competition in the sector, iiNet was able to lower churn, maintain ARPU, retain profitable customers and grow its customer base. Our strategy of providing awesome service, releasing cool new products, and building scale is paying off.

"The 2011 financial year saw another exceptional period of financial performance, with the company producing its best ever set of financial results," Mr Malone said.

Key highlights included:

- Revenue up 48% to $699 million (FY10: $474 million)
- Underlying EBITDA up 30% to $105 million (FY10: $81 million)
- Underlying NPAT up 12% to $39 million (FY10: $35 million)
- Underlying EPS up 12% to 25.7 cents per share (FY10: 23.0 cents per share)
- Net cash inflows from operating activities up 54% to $96 million (FY10: $62 million)
- Total broadband customers up 19% to 641,000 due to continued organic growth and the acquisition of AAPT's Consumer Division
- Continued focus on network migrations with 64% now on-net (excluding AAPT Consumer Division)
- New products launched including fetchtv, mobile voice plans, the Terabyte plan, BoB Lite^{TM}, BoB2^{TM}, Online Vault and new small business solutions
- Integration of Netspace substantially completed and AAPT Consumer Division on track
- Strong balance sheet, with comfortable gearing at 40% net debt / equity
- Increased final dividend of 7.0 cents per share fully franked, with total dividend for FY11 up 33% to 12.0 cents per share fully franked (FY10: 9.0 cents per share fully franked)

Mr Malone said that the FY11 results reflected iiNet's organic growth initiatives, recent acquisitions, and the strong underlying fundamentals of the Company's business.

"Over the past 12 months, iiNet has experienced continued growth in its subscribers, even during a period of significantly increased competition. iiNet's core DSL churn is down, and the company was also able to grow its subscriber base by an additional 7700 customers. "Having achieved our goal of becoming the leading challenger brand in the Australian residential

telecommunications market, iiNet's new vision is to become your trusted partner in the digital world.

"Customer needs have evolved and Australians no longer simply want Internet access. They desire a variety of broadband services whenever they want and wherever they are. iiNet is already at the forefront of industry product development, and we are building stronger relationships with our customers through innovative products and excellent service.

"Service is the centre of everything we do. iiNet's front-line staff have done a tremendous job in further improving iiNet's industry leading service levels that have led to continued improvements in customer retention levels.

"Scale has become increasingly critical. The acquisition of AAPT's Consumer Division in September 2010 allowed iiNet to achieve its strategic goal of becoming the leading challenger brand in Australia with the second largest number of broadband DSL subscribers.

"We have now substantially completed the integration of Netspace into iiNet, achieving significant synergies through on-net migrations and IP bandwidth savings. The integration of AAPT's consumer division is tracking as planned, with service improvements resulting in lower churn numbers than first thought," Mr Malone said.

Mr Malone said that iiNet had released a number of new products and services over the past 12 months that have cemented the Company's position at the forefront of the sector.

"Some of the products iiNet has launched include the fetchtv, our self-developed BoBs from our iiLabs team, the Terabyte plan, hosted applications like Online Vault and new Business Packs for the SME market. Our product and content pipeline is bursting with new initiatives to be launched in the next twelve months that will further strengthen iiNet's position at the forefront of industry product developments."

In commenting on the evolving operating environment, Mr Malone said that following the release of the Federal Government's NBNCo business plan early this year, we now have a much better picture of what the NBN environment will look like for iiNet.

"We are genuinely excited by the increased market opportunities the NBN will bring, doubling the available market for iiNet's services. iiNet's scale, broad product suite, focus on customer service, and successful experience in migrating large numbers of customers, uniquely positions iiNet to benefit from the NBN and grow shareholder value.

"Whilst the 2011 financial year has been the most active in iiNet's history, we have no intention of slowing down. We will continue to invest in providing awesome customer service and expand iiNet's product and content portfolio to deliver what our customers need in an their digital world," Mr Malone said.

On market buy-back

iiNet is also pleased to announce that it intends to undertake an on-market share buy-back of up to 5% of its issued capital to be funded from surplus cash and existing debt facilities. The on-market share buy-back program reflects the strong financial position of iiNet and demonstrated ability of the business to generate earnings. The buy-back is expected to

commence on 29 August 2011 and continue for up to 12 months. All shares acquired under the buy-back will be cancelled.

Commenting on the buy-back program, Mr Malone said "the Board has a strong focus on capital management and growing shareholder value, and considers that iiNet's current market price does not fully reflect the underlying value and potential of the Company as the leading challenger brand in the Australian market".

iiNet's policy of declaring interim and final dividends will not be impacted by the announced on-market buyback program.

Unmarketable parcels share sale facility

iiNet has also announced today a share sale facility for holders of unmarketable parcels of iiNet shares valued at less than $500. Impacted shareholders, mostly previous Amcom shareholders holding less than approximately 5,200 Amcom shares prior to the announced consolidation, will be contacted directly by iiNet in due course.

iiNet has appointed Euroz Securities Limited to act as its broker to the on-market buy-back program and unmarketable parcel share sale facility.

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For further information or interviews, please contact:

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About iiNet

iiNet is Australia's second largest DSL Internet Service Provider and the leading challenger in the telecommunications market. We employ more than 2000 inquisitive staff across four countries and support over 1.3 million broadband, telephony and Internet Protocol TV (IPTV) services nationwide.

We're a publicly listed company and we maintain our own super-fast broadband network. Our vision is to lead the market with products that harness the potential of the Internet and differentiate with award-winning customer service.

To achieve this, we employ creative thinkers and true advocates of technology. Our people are a huge part of the iiNet success story, so we've developed a unique and stimulating work culture to ensure they remain engaged and inspired.

A lot has changed since our CEO founded iiNet in a suburban garage back in 1993 and the broadband landscape continues to evolve. What hasn't changed is our passion for the transformative benefits of the Internet and our commitment to helping Australians connect better.