

ASX Release



21 August 2013

The Manager
Company Announcements Office
Australian Stock Exchange
Exchange Plaza, 2 The Esplanade,
Perth WA 6000

Dear Sir/Madam,

iiNet delivers another record result and generates strong shareholder returns

21 August 2013: Australia's second largest DSL Internet Service Provider, iiNet Limited (ASX: IIN) is pleased to announce another record result and strong shareholder returns over the twelve months ended 30 June 2013 (FY13).

The company's FY13 result saw earnings grow faster than revenue as margins improved significantly. The improvements have been delivered from the successful integrations of acquired businesses Internode and TransACT, increased products per customer, growing business customer revenues and targeted cost savings.

Commenting on the results, iiNet's CEO, Michael Malone, said that the company's focus for FY13 had been to maintain the strong momentum of FY12 and continue executing on its growth strategy centered on service, brand, innovation and scale.

"Core to everything we do is delivering market leading broadband and telecommunications services to our customers. Our strong financial performance over the past twelve months, during challenging economic conditions and an increasingly competitive market, is a clear demonstration of our ability to deliver.

"iiNet's recent entry into the S&P/ASX200 Index was a proud moment, but I am more excited about the impressive shareholder returns we have been able to generate over the past twelve months. iiNet delivered a return on equity of 20 percent and continued to grow its dividend," added Mr Malone.

Key FY13 financial highlights:

- Revenue up 13% to \$941 million
- Business revenue up 53% to \$183 million, now comprising 19% of Group revenue
- Operating costs down 4% in second half of FY13
- EBITDA up 29% to \$187 million
- Net profit after tax up 64% to \$60.9 million, exceeding market consensus
- Earnings per share up 58% to 37.8 cents
- Operating cash flow up 37% to \$138 million
- Strong balance sheet, with comfortable gearing at 54% net debt to equity
- Total FY13 fully franked dividend up 36% to 19.0 cents per share

ASX Release



Key operational highlights:

- Continued market leading high NPS and low levels of churn
- Growth in broadband sales and return to broadband net additions in second half
- Integration of TransACT and Internode now substantially complete
- New products and services launched for both residential and business customers
- Products per customer growth progressing well toward target of 3
- Acquisition of Adam Internet in South Australia announced
- Launch of new Jiva brand to target new customer segment

Commenting on the FY13 results, Mr Malone said that iiNet has now cemented its position as the “new number 2” broadband DSL provider in Australia. The integrations of TransACT and Internode are now substantially complete, and at 30 June we had 840,000 broadband customers with over 1.7 million services.

“Broadband sales continued to increase and we returned to net broadband additions in the second half of FY13 from a combination of new marketing campaigns, new products and new market share in NBN roll-out areas.

“While revenues have increased, margins have grown more as acquisition synergies have been delivered, cost-out initiatives have been implemented, and products per customer have increased to 2.23.

“iiNet’s business division performed strongly with revenues growing 53 per cent to \$183 million. This segment now makes up 19 per cent of group revenues, and we are successfully capturing the latent market potential in a segment that has historically been underserved by our competitors.

“Product innovation is vital to staying at the forefront of Australia’s telecommunications industry and ensuring our customers receive the best possible experience. Over the past twelve months we have successfully launched 4G mobile services and budii, as well as new innovative products bundles for our residential and business customers.

“Our obsession with providing excellent customer service continues to be our main focus. Our customer retention levels are amongst the highest in the industry and during the last year we have again demonstrated market-leading levels of churn.

“The NBN presents an exciting opportunity for iiNet and our customers regardless of the election outcome. We have taken full advantage of our capabilities to be the first provider to launch NBN services across all access technologies including fibre, satellite and wireless, as well as trialing multicast iiNet IPTV services in partnership with Fetch TV. We have embraced the NBN and just passed the milestone of 20,000 customers on NBN. While still small in the context of iiNet’s total subscriber base, we expect this to grow strongly as the roll-out speeds up,” added Mr Malone.

ASX Release



Reflecting iiNet's strong earnings growth, cash flow generation, strong balance sheet and confidence in the company's growth outlook, a fully franked final dividend of 11 cents per share has been declared. This brings the company's total FY13 dividend to 19 cents per share fully franked, up 36% on FY12.

Commenting on the outlook for iiNet, Mr Malone said:

"iiNet performed well across all aspects of its business over FY13. The foundations for future growth are in place. Broadband net additions have returned, churn remains at industry low levels, products per customer are increasing, business segment revenues are growing at over 5% per annum, acquisition synergies have been delivered, and we are growing on the NBN.

"Earlier this month we announced the acquisition of Adam Internet. This acquisition will grow iiNet's total customer base to over 900,000 broadband subscribers, adding 70,000 new broadband subscribers across residential and business markets. In addition, the acquisition will be immediately EPS accretive pre-synergies in FY14, further driving growth in shareholder returns.

"The past year was a period of significant growth for iiNet. The success of our growth strategy has been experienced by our customers, staff and shareholders. Customers have benefited from new products and high service levels. Staff have benefited from high engagement levels and being part of a team that cares for its customers. Lastly, shareholders have benefited through growing returns, with a very high return on equity generated and growing dividend returns.

"Given the increased cash generation of the company, we are targeting to grow dividends to 50% to 60% of normalised net profit after tax going forward. This will provide even greater returns to shareholders, while retaining our flexibility and capacity for investment in any future capital expenditure or M&A activity that we might choose to pursue."

– ENDS –

For further information please contact:

Michael Malone
Chief Executive Officer
E: mmalone@iinet.net.au
P: +61 8 9214 2207

David Buckingham
Chief Financial Officer & Company Secretary
E: davidb@staff.iinet.net.au
P: +61 8 9213 1358

ASX Release



About iiNet

iiNet is Australia's second largest DSL Internet Service Provider and the leading challenger in the telecommunications market. Publicly listed and a member of the ASX 200, iiNet is now valued at \$1 billion. We employ more than 2000 inquisitive staff across three countries – 80 per cent of whom are employed to directly service our 840,000 customers. We maintain our own super-fast broadband network and support over 1.7 million broadband, telephony and Internet Protocol TV (IPTV) services nationwide.

We're committed to making it simple for all Australians to connect across both our own network and on the NBN. Our vision is to lead the market with products that harness the potential of the Internet and then differentiate with award-winning customer service.

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.

A full list of current awards can be viewed at iiNet Awards
<http://www.iinet.net.au/about/awards.html>

