21 February 2013

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

Dear Sir/Madam,

iiNet generates another record result

21 February 2013 – Australia's second largest DSL Internet Service Provider, iiNet Limited (ASX: IIN), today announced another record result for the six months ended 31 December 2012 (H1 FY13) with net profit after tax up 122% to $32 million due to increased revenues and improved margins following the acquisitions of Internode and TransACT in 2012.

Commenting on the results, iiNet's Managing Director & CEO, Michael Malone, said that the H1 FY13 performance further highlighted iiNet's ability to deliver results to both its customers and its shareholders.

"Keeping our customers happy is at the core of everything we do, delivering market leading broadband and telecommunications services to them. Our experienced and engaged staff continued to deliver fantastic results for our customers. iiNet has grown to a scale where the earnings and cash flows it generates can be reinvested to ensure we continue to meet customers' needs going forward.

"Our shareholders have also benefited from the successful execution of our strategy that has seen consistent growth in total shareholder returns over the past few years. The company's strong cash flows have enabled us to pursue attractive strategic acquisitions, quickly pay down debt and grow dividends. iiNet's recent entry into the S&P/ASX200 Index is a milestone we are all very proud of," added Mr Malone.

H1 FY13 – another record result reflecting strong growth across all metrics

- Revenue up 30% to $474 million
- EBITDA up 73% to $98 million
- NPAT up 122% to $32 million
- EPS up 106% to 19.8 cents per share
- Operating cash flows up 204% to $72 million, and gearing down to 66% net debt to equity
- Delivering acquisition synergies and other cost outs
- Customer service driven strategy generating industry-low levels of churn
- Increasing average products per customer, currently 2.2, with 108,000 mobile customers at the end of the half
- Business segment continuing to grow strongly, generating $90 million of revenue
- Increasing shareholder returns with interim dividend up 33% to 8 cents per share fully franked.

Commenting further, Mr Malone said, "iiNet has consistently grown over the past few years, delivering on our focused strategy centered on service, brand, innovation and scale."

"We have strengthened our position as the clear No.2 broadband DSL provider following the acquisitions of TransACT and Internode. The successful integration of these acquisitions, and others before them, has driven substantial synergy benefits and improved margins as iiNet has leveraged its platform and improved service and product levels in the acquired businesses.

"With industry competition continuing to be fierce, iiNet's customer service strategy differentiates us from others. While some of our competitors are declaring that they will be focusing on improving customer service levels, we have consistently maintained the highest service levels in the industry for a number of years. Over the last six months we have again demonstrated market-leading low levels of churn despite an increasingly competitive marketplace.

"Product development and innovation across both our residential and business segments is vital to staying at the forefront of the industry and providing customers with the best possible service experience. With over 830,000 connected households and businesses, we are now increasing the average number of products per customer, reducing churn and driving revenue growth. The continued growth in mobile products to our broadband customers demonstrates a clear trust in the additional services they have chosen from iiNet.

"We continued to innovate and launch new products over the past six months to support this growth. On the residential front we expanded our mobile product set with the introduction of the latest Samsung Galaxy mobile handset, tablet and camera range, offering a unique and flexible range of pick-n-mix pricing options that allow our customers to choose the right mobile handset and SIM plan for their needs. In addition, we have just announced the latest exciting new addition to our modem range called Budii and have upgraded iiNet's IPTV service in combination with our partners at fetchtv.

"iiNet's business segment has been a very strong performer over the past six months, with revenues growing substantially as we begin to capture the market potential of this segment. We are innovating in business too, with new value added services like cloud hosting, and focus on developing our processes and people to tap into the potential of this market segment.

"The NBN presents an exciting opportunity for iiNet and our customers. We have taken full advantage of our capabilities to be the first to launch NBN services across all access technologies including fibre, satellite and wireless as well as multicast IPTV services over the NBN.

"iiNet welcomed the announcement by the Australian Competition and Consumer Commission this half of a final determination of the access dispute relating to IIC charges levied by Telstra Corporation Limited. The determination has delivered a back-dated refund to iiNet of approximately $8 million for excess IIC charges in prior periods," added Mr Malone.

Reflecting iiNet's strong earnings growth, cash flow generation, strong balance sheet and confidence in the company's growth outlook, a fully franked interim dividend of 8 cents per share has been declared, up 33% on the 2012 interim dividend.

"We are in the best position we have ever been in the company's twenty year history. Our market leading product suite for retail and business customers, increasing market awareness, obsession with customer service, and successful acquisition track-record, places us in a unique position to grow in a very competitive marketplace.

"Leveraging our large base of customers is a key focus, with an aim to grow average products per customer to 3.0. We intend to drive further growth out of the business segment and deliver continued cost outs to drive further margin improvement. We will also look to continue to pay down debt and deliver strong returns to shareholders from our growing cash flows," added Mr Malone.

- ENDS-

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About iiNet

iiNet is Australia's second largest DSL Internet Service Provider (ISP) and the leading challenger in the telecommunications market. We employ more than 2,000 inquisitive staff across four countries and support over 1.7 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 then 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.