iinet
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16 August 2012

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

Financial Results for the Financial Year Ended 30 June 2012

I enclose the following release to market in relation to the lodgement today of iiNet
Limited's financial results for the year ended 30 June 2012.

Regards

David Buckingham
Company Secretary

CSIA
CUSTOMER SERVICE
INSTITUTE OF AUSTRALIA
2011 State Winner

AUG
2010
Award Winner
Carrier of the Year
Presented to
iinet

ACOMMS
COMMUNICATIONS ALLIANCE
& COMMSDAY AWARDS 2011
WINNER
2011
COMMUNICATIONS AMBASSADOR
MICHAEL MALONE

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

ASX Release

iiNet delivers another year of strong growth

16 August 2012 – iiNet Limited (ASX: IIN) today announced its results for the 12 months ended 30 June 2012 (FY12), delivering its best ever financial result following another year of significant growth for the Company.

Commenting on the results, iiNet's Chief Executive Officer, Michael Malone, said that the past year had been transformational for the Company, with considerable expansion through two large acquisitions and successful operational initiatives driving continued growth in earnings.

"Over the past twelve months we acquired two very attractive and strategically complementary businesses, TransACT and Internode. These acquisitions, which we are currently integrating, cemented our position as the clear number two provider of DSL broadband in Australia. We also substantially grew our corporate and government business following the acquisition of TransACT.

"Our scale, combined with our culture of service and product leadership have provided the foundations for our growth. These attributes also place us in a unique position to continue growing in an evolving market for telecommunications services in Australia," added Mr Malone.

Key financial highlights:

- Revenue up 19% to $831 million
- Reported EBITDA up 47% to $144.8 million; underlying EBITDA up 38% to $144.2 million
- Reported NPAT up 11% to $37.1 million; underlying NPAT up 12% to $43.6 million
- Strong balance sheet, with comfortable gearing at 77% net debt to equity post acquisitions
- Operating cashflow before interest up 16% to $119 million
- Final dividend up 14% to 8 cents per share fully franked
- Total FY12 dividend up 17% to 14 cents per share fully franked.

Key operational highlights:

- Acquisitions of TransACT and Internode taking iiNet's total broadband market share to approximately 15 per cent
- Total customer services up 26% to 1.6 million due to increased bundling of new services
- Market leading low levels of churn with customer service-driven strategy continuing to deliver
- AAPT integration now substantially complete
- Leading DSLAM network footprint now at 445 exchanges
- Landmark victory in the iiNet copyright case.

Having led consolidation amongst Internet Service Providers over the past four years, Mr Malone said that the past twelve months were no exception. The acquisitions of TransACT and Internode are expected to produce significant synergies going forward as the companies become fully integrated into the iiNet Group.

"The acquisition of TransACT has significantly expanded our presence in the business segment. Five years ago we identified this segment as one we would focus on expanding. Since then we have successfully extended our portfolio, and now provide services across all key market sectors from home and small office, through to small businesses and now into corporate and government businesses. Following the acquisitions of TransACT and Internode, our business segment now has annualised revenues of more than $170 million per annum.

"The acquisition of Internode brought together the two leading customer service focused brands in the Australian ISP industry. The cultures of both organisations were very similar, and this has assisted in ensuring the smooth integration of Internode into iiNet.

"Integration benefits from the two acquisitions are flowing through to earnings, and we are successfully unlocking the inherent value of the acquired businesses. We expect to fully integrate Internode's and TransACT's systems and networks over the next 12-24 months. This follows the successfully completed integration of Netspace in 2011, and the integration of AAPT's Consumer Division which is now substantially complete.

"The iiNet Group's customers are seeing the benefits of consolidation. For example, scale benefits have led to expanded content offerings for our customers, group wide access to unmetered content, and the sharing of product and service innovation across our group companies.

"We operate in a dynamic industry that is constantly evolving. Industry competition is as fierce as ever, and our strong focus on customer service, which is at the heart of everything we do, continues to deliver market-leading low levels of churn.

"Our segmented, customer insight led approach to product innovation is putting us in great stead for the future. We are at the forefront of innovation as we maintain our vision to lead the market with products that harness the potential of the internet and communications more generally. Our goal to increase the average number of products per customer to three products is a clear outcome of our customer service and product centric approach.

"The regulatory landscape has changed dramatically in the last 12 months making the regional off-net market more attractive for iiNet. The ACCC has declared new wholesale ADSL interim prices that provide an improvement in the iiNet cost base in regional markets. We look forward to the final determination being released soon so that iiNet can be more competitive and grow market share again in regional Australia.

"The NBN continues to be rolled out across Australia and gather momentum. As the second largest DSL broadband provider in Australia, with a focus on customer service and product leadership, iiNet is in a unique position to grow in the NBN world.

"We are excited by the growth opportunities available to iiNet across a number of fronts over the next twelve months. We expect to generate substantial integration synergies as TransACT and Internode are fully integrated. We have a number of innovative new products to be launched that will assist in increasing our average products per customer, and our business segment is now structured for further growth. The improved regulatory environment will allow us to provide more competitive products and services to regional Australia, and we are well placed to grow as the NBN continues to be rolled out.

"With substantial growing cashflows, a strong balance sheet, growing dividends, and attractive growth opportunities, we look forward to continuing to provide our shareholders with growing returns," said Mr Malone.

– 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

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 2,600 inquisitive staff across four countries and support over 1.6 million broadband, telephony and Internet Protocol TV (IPTV) services nationwide.

We're a publicly listed company and we maintain our own high speed 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.

For further information go to www.iinet.net.au