

Media Release

iiNet reports a year of significant growth

17 August 2009 – Australia's third largest Internet Service Provider, iiNet (ASX: IIN), has defied the economic downturn reporting a year of significant growth and announcing record revenue and profit increases.

Key financial highlights include:

- Revenue up 67% to \$418.3 million
- Earnings before interest, tax, depreciation and amortization (EBITDA) up 42% to \$67.2 million
- Net profit after tax up 44% to \$25.6 million, and exceeding earlier market guidance
- Significant growth (123%) in Naked DSL with more than 67,000 subscribers
- Small business unit revenues up 43% to \$24.3 million
- EPS up 22% to 16.9 cents per share
- Fully franked total dividend of 8.0 cents per share, up 1.0 cent on FY08
- \$20.9 million free cash flow
- Net debt of \$15.1 million, with a net debt to equity ratio of 7%.

Whilst many Australian companies have recorded revenue falls and cuts to dividends, iiNet will increase its total dividend payment to 8 cents per share for FY09.

iiNet Managing Director Michael Malone said the strong result was driven by the company's focus on world-class customer service and sales, continued product innovation and expanded content partnerships.

"We continue to deliver on our commitment to be the leading innovator and challenger in the Australian telecommunications market." Mr Malone said.

"This is most clearly demonstrated by the 123% growth in Naked DSL, more than doubling iiNet's total Naked subscribers. 67,000 Australians have now ditched their phone line rental.

"We were the first to market with this product, providing customers with unrestricted broadband speeds without the added costs of paying for a traditional phone line that they don't use."

Mr Malone said despite the difficult economic times, overall customer service numbers had increased by 10% to more than 753,000 – representing an 8% share of the broadband market, up from 4% in 2007.

Mr Malone said iiNet's strong focus on customer service had seen the company's key performance indicator of Net Promoter Score increase to 44% (up from 28% in 2008) and churn decline by 25 basis points to 1.83% per month in the past year.

"Good service is good business and we're proud that these results have been recently recognised with industry awards for customer service," Mr Malone said.

"Successful brand launches in Melbourne and Brisbane are driving strong sales in those markets.

“The launch of BoB last week, our all-in-one wireless home hub combining the phone and Internet and connecting to entertainment platforms like Xbox, is yet another Australian-first product innovation iiNet has introduced.

“This adds to the increasing honey-pot of content in the unmetered iiNet Freezone, including the ABC’s iView, Barclay’s Premier League, Super 14 rugby, iTunes, Xbox 360 downloads, LocoTV and more than 60 radio stations.”

On the National Broadband Network (NBN), Mr Malone said the Federal Government’s plans were the best of all possible outcomes and will ensure Australians have access to fast, affordable and competitive broadband.

"In terms of the key criteria we were looking for in a NBN - open access, structural separation, fixing backhaul 'black spots' and regulatory reform - the Government has delivered a true vision.

“We see the Government’s open-access NBN as a fantastic new opportunity for iiNet.

"It’s been a great year for the company thanks to the dedication and hard work of all our staff. The Westnet acquisition has been a tremendous success, and we are well placed for an even better year in 2010.”

About iiNet

iiNet was established in 1993 and listed on the ASX in 1999, growing from a small Perth business into the third largest Internet Service Provider in Australia. The Company now supports over 750,000 dial up, broadband and telephony services nationwide, with revenues of \$418m, and proudly employs more than 1,300 people in Perth, Sydney, Auckland and Cape Town.

iiNet’s goal is to lead the market with the best Internet access products and then differentiate with genuine, plain speaking customer service. The company has its own high speed ADSL2+ network reaching around 4 million households across Australia, the largest Voice over IP network in the country, and is delighted to have led yet again with Naked DSL, recognised by PC User Magazine as the 2007 Product of the Year.

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