

Media Release

Innovative products and services continue to drive iiNet's strong growth

22 February 2010 – iiNet Limited's (ASX:IIN) innovative products and services continued to drive strong growth, according to its 2010 half year results released today.

iiNet's revenue grew by 11% to \$228.1 million and subscriber services grew by more than 5% to almost 800,000, Chief Executive Officer, Michael Malone said.

He said these were another excellent set of results, ahead of market guidance with underlying earnings before interest, tax, depreciation and amortisation (EBITDA) up 20% to \$37.4 million.

Key highlights include:

- Revenue up 11% to \$228.1 million (H1 09: \$205.0 million)
 - Statutory NPAT up 6% to \$12.1 million (H1 09: \$11.4 million)
 - Underlying EBITDA¹ up 20% to \$37.4 million (H1 09: \$31.1 million)
 - Underlying NPAT¹ up 30% to \$14.8 million (H1 09: \$11.4 million)
 - Total subscriber services up 5% to 799,817
 - More than 300,000 subscribers now connected to iiNet's DSLAM network
 - Continued strong growth of Naked DSL with subscriber numbers up 30% to 86,905
 - Successful launch of BoB™ in August 2009 with more than 16,000 units sold by the end of December 2009
 - Westnet consolidation bringing further synergies with 19,100 Westnet off-net customers now on-net
 - Small business unit revenues up 24% to \$15.8 million
 - Strong balance sheet with gearing at 8%
 - Fully franked interim dividend of 3.0 cents per share.
- (1) Excluding legal costs relating to successful defence of copyright case of \$3.8 million pre-tax and \$2.7 million post-tax (net of insurance receipts).

Mr Malone said the strong results continue to be driven by iiNet's focus on product innovation, expanded content partnerships, and world-class customer service.

"We continue to be the leading innovator and challenger in the Australian telecommunications market," Mr Malone said.

"In addition to the continued success of iiNet's Naked DSL product, our latest product innovation, BoB™, an all-in-one wireless home hub combining the phone and Internet and connecting to entertainment platforms like Xbox, has also been a resounding success with more than 21,000 units now sold since its launch in August 2009."

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Figures reveal that around 76% of BoB™ sales are from new customer activations, and currently about 4,000 BoB™ units are being sold each month.

“Our customers can continue to look forward to additional product innovations, including IPTV in the near future,” Mr Malone said.

He said iiNet’s Freezone provides subscribers with unmetered legal content, continues to be an outstanding success, and demonstrates Australians’ strong desire to access affordable legal content online. iiNet customers downloaded more than 27TB (27,000,000 Megabytes) of content from its Freezone between May 2009 and January 2010 with legal content freely available from iTunes, ABC iView, Super 14 Rugby, Xbox 360, ninemsn, Freezone Kids, Bloomberg, Barclays Premier League football, many other providers and almost 70 radio stations.

Mr Malone said the company’s financial and operational results would enable iiNet to continue to focus on organic growth and to explore further acquisition opportunities.

“Customer service remains a key focus for iiNet and it is very pleasing to see that our Net Promoter Score, a global standard in customer service analysis, continues to grow and has now achieved our target of 50%, putting iiNet in the same league as many of the world’s most elite service organisations.

“iiNet’s positive half year result, combined with an improved domestic economic outlook and exciting pipeline of product and content initiatives, provides a strong foundation for continued growth over the 2010 financial year and beyond. iiNet reaffirms its previous 2010 full year guidance of underlying EBITDA in the range between \$75 million to \$80 million.

“These results, achieved in challenging market conditions, are a testament not only to our consistent strategy and effective execution, but also to the people within the company.”

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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 800,000 broadband, telephony and dialup services nationwide, with revenues of over \$400m, and proudly employs around 1300 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.