ASX Release

The Manager
Company Announcements Office
Australian Stock Exchange
Level 40, Central Park
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Dear Sir/Madam,

iiNet continues to grow underpinned by strong broadband customer additions

19 February 2015: Australia's second largest DSL Internet Service Provider, iiNet Limited (ASX: IIN), is pleased to announce its results for the six months ended 31 December 2014 (H1 FY15) with record revenues of $547 million and underlying net profit after tax of $32 million.

H1 FY15 saw the company achieve a number of exciting milestones including its highest ever NPS score that further reduced churn, and the launch of standalone mobile phone plans. In addition and in line with iiNet's focus on customer service, the company acquired a majority interest in tech2 Group, a provider of communications build services, remote and in-home technical support and installation services.

Commenting on the H1 FY15 results, iiNet's CEO, David Buckingham said:

"The first six months of the 2015 financial year have seen the business achieve over 25,000 new broadband customers. When viewed over the last 12 months, iiNet has generated close to 50,000 broadband net additions, clear evidence of the success of the company's strategy that is underpinned by delivering innovative products and excellent customer service.

"Reflecting iiNet's growing customer and product base, revenue across the group over the first half of the 2015 financial year increased by 11% to $547 million. This growth in revenue has allowed the company to expand its network and invest in further enhanced customer service capabilities.

"iiNet's focus on customer service is a hallmark of the company's success. The fantastic effort and dedication of all of our people has led to iiNet achieving its highest ever NPS score of 63 percent, leading to further reductions in iiNet's already industry low churn levels. We take a lot of pride in being the industry leading benchmark for customer satisfaction."

Key 1H15 financial metrics:

- Record HY revenue of $547 million, up 11% on H1 FY14
- Business revenue up 5% to $106 million
- Underlying EBITDA up to $97 million
- Underlying net profit after tax up to $32 million
- Underlying Earnings Per Share up to 19.5 cents, despite higher effective tax rate

- Net operating cashflow down to $58 million impacted by increased inventory for new mobile products launched late in the half and tech2 acquisition
- Gearing reduced by 6% year on year to 56% net bank debt to equity
- **Interim FY15 fully franked dividend up 17% to 10.5 cents per share**

Key 1H15 operational achievements:

- +25k broadband net additions; +49k over CY14
- Record NPS result (63) reducing iiNet's already industry low churn level
- 60,000 NBN customers as of today
- Standalone mobile phone plans launched, significantly extending iiNet's reach
- Growth in Business revenue, extending our reach on the East coast
- Acquisition of tech2 Group to leverage in-home and NBN capabilities

Continuing to execute on what we do best

Commenting on the H1 FY15 results, Mr Buckingham said that it was particularly pleasing to see the company continue to excel at what it does best, delivering excellent customer service and innovating on products, driving organic growth in broadband customers.

"We have improved our core broadband products with refreshed plans and grown our product line to include standalone mobile phone contracts, Apple iPhone products, home installations and tech support for NBN and audio-visual systems. This has delivered strong top line growth with record revenues generated over the last six months of $547 million.

"The growth in business revenue over the past six months has been exciting, showing that we have been effective in extending our reach on the East Coast, while still growing in WA. The small business segment remains underserviced for its telecommunication needs and provides substantial growth opportunities for iiNet.

"iiNet's strong cash flows have allowed us to reduce leverage while also investing back into the business to pursue growth and better position iiNet for the changing competitive landscape. The majority of the company's capital expenditure over the past six months was invested in enhancing our capacity to support growth, through increased network capacity, improved IT systems, and corporate investment, in order to better service our growing customer base which is fast approaching the one million mark.

"Reflecting the company's continued growth in earnings, strong balance sheet, and confidence in the company's growth outlook, a fully franked dividend has been declared of 10.5 cents per share, up 17% on 2014's interim dividend," added Mr Buckingham.

We have the right strategy in place to deliver long term shareholder value

"While we have seen the competitive landscape become more aggressive over recent months, this is not something new for iiNet. With a proven strategy of focusing on product innovation and customer service, iiNet has successfully addressed increased competition in prior years while continuing to grow. What's different today is that iiNet is a much larger company with substantial scale and a strong financial position, allowing iiNet to more effectively respond to competitive challenges in a way that ensures long term shareholder value is not diminished.

"NBN continues to represent a significant area of growth for the company, with iiNet now having over 60,000 NBN and fibre subscribers. Given iiNet's position and product capabilities, the company remains well positioned to capitalise on the changing landscape of a ramped up NBN rollout plan.

"The acquisition of a majority stake in tech2 Group has provided iiNet with a leading capability in in-home and NBN installation services. The acceleration of the NBN rollout, and introduction of new technologies to the process, presents the potential for a faster rate of organic growth through an increasing number of new connections per week.

"The connected home is not a buzz word at iiNet. It is something we truly believe will lead a new wave of growth in telecommunications. In February 2015, iiNet joined the AllSeen Alliance, a consortium of 120 global companies including device and software manufacturers to advance an open source standard for the Internet of Everything, to promote true integration of devices in the home.

"iiNet is well placed to continue to deliver long term growth in shareholder value. Our focused strategy underpinned by product innovation and excellent market leading customer service, has consistently delivered. In addition, iiNet has operational scale with nearly one million customers today using 2.3 million services, and the company has a strong financial position. While not without its challenges, we are excited by the growth opportunities that lie ahead given iiNet's position today," added Mr Buckingham.

– ENDS –

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About iiNet

iiNet is Australia's second largest DSL Internet Service Provider and the leading challenger in the telecommunications market. Publicly listed on the ASX 200, this billion-dollar company has been recognised as a global leader in customer service, winning the Large Business award at the 2013 International Service Excellence Awards. We employ more than 2500 inquisitive staff across three countries – 80 per cent of whom are employed to directly service over 950,000 customers. We maintain our own 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 services that harness the potential of the Internet and then differentiate with award-winning customer service.

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