H1 FY15 Results Presentation

19 February 2015

Strong organic growth underpinned by focus on service

Focused strategy delivering long term shareholder value

Continuing organic growth

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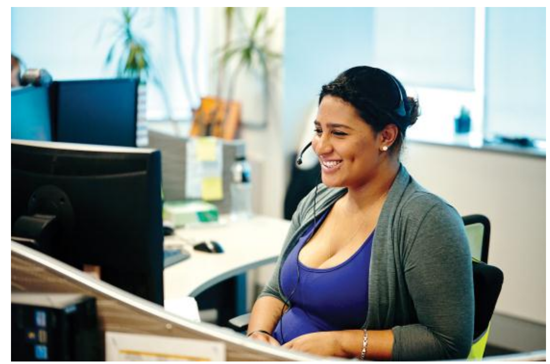
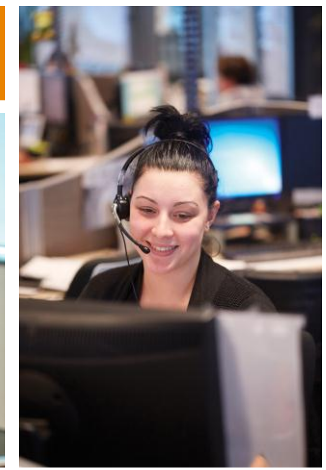
Strong organic customer growth

- +25k broadband net adds to 975k customers
- Record high NPS and improved churn rates
- Strong NBN growth to 60k subscribers today
- Phone bundling rate increased to 74%
- Business revenue increased 5% HoH to $106m

Investing to support expanding customer base

- Group revenue up 11% to $547m
- Group EBITDA at $97m* and NPAT at $32m*
- Increased investment in customer service to reduce churn and support customer growth
- Investment in tech2 to underpin expansion in connected home services and NBN in CY2015
- Gearing decreased by 6% to 56%
- Interim dividend up 17% to 10.5cps fully franked

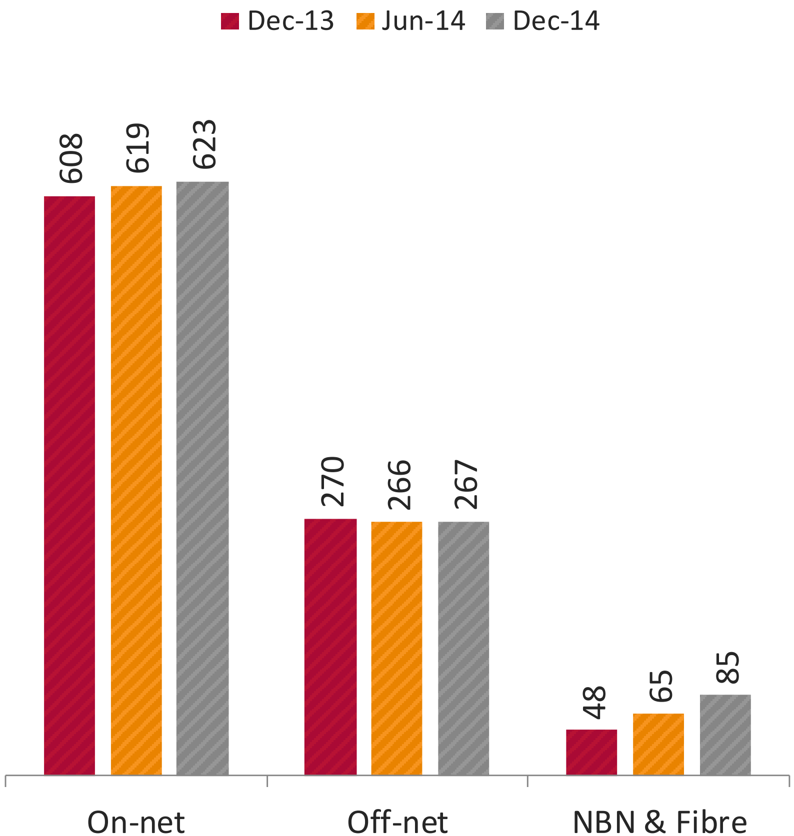




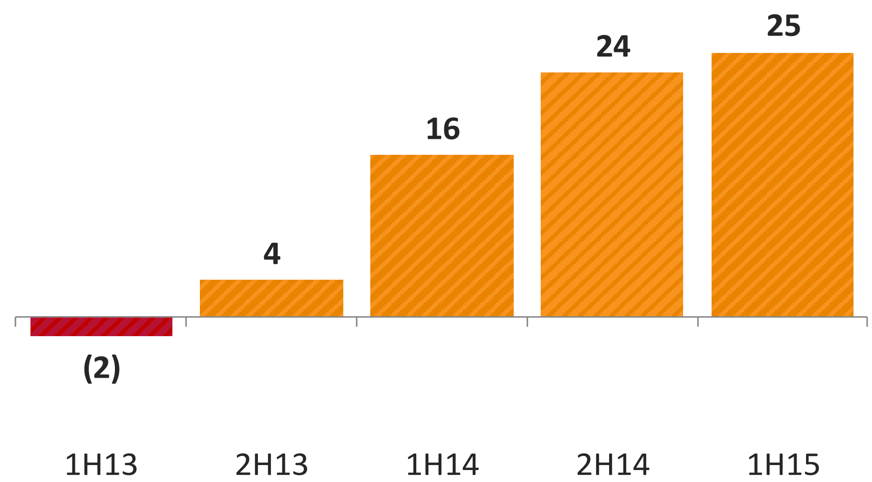
* Underlying results per Appendix 4D

Continued customer growth to 975k subscribers

Closing subscriber numbers (000's)



Broadband net adds (000's)



Growing other products and services

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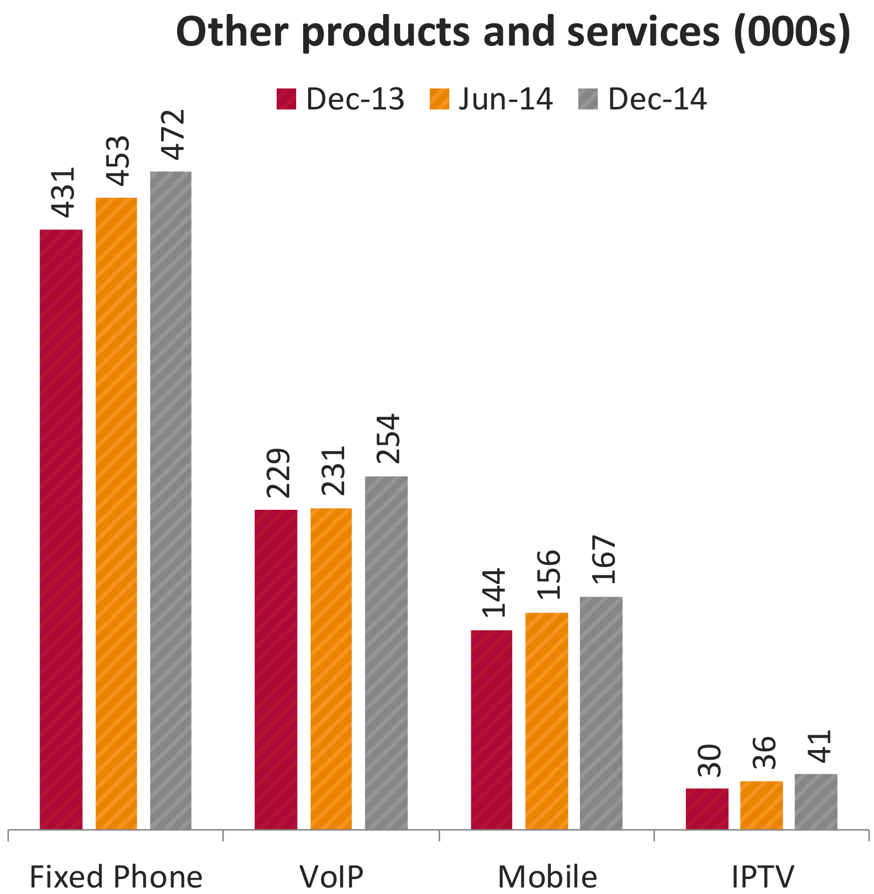
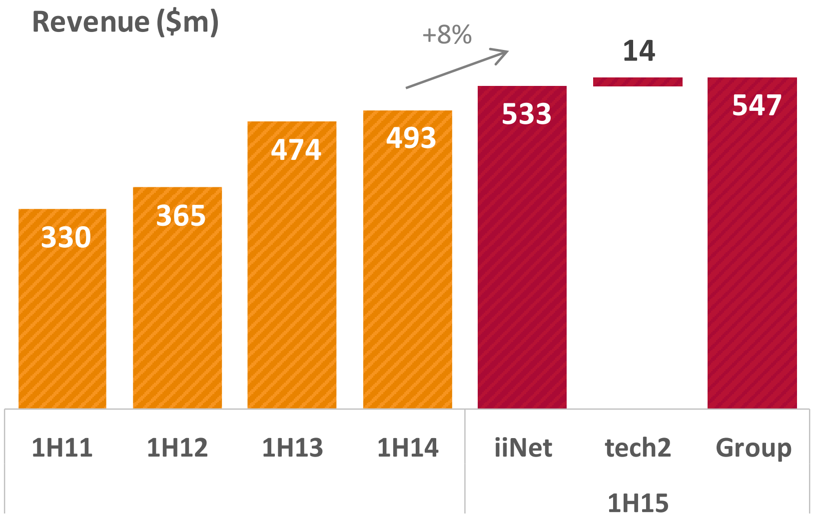
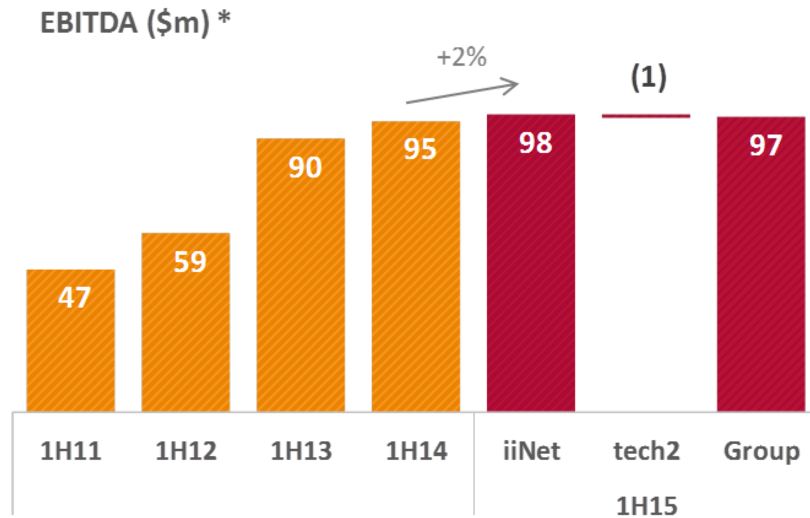


- **1.91m** total services across 975k Broadband customers
- Phone bundling rate continuing to increase to **74%**
- Future mobile growth to benefit from mobile product launches in December 2014

Note that VoIP includes an extra 20k Adam Internet subscribers from June 14 identified through customer verification as part of billing migrations

Maintaining growth across key financial metrics



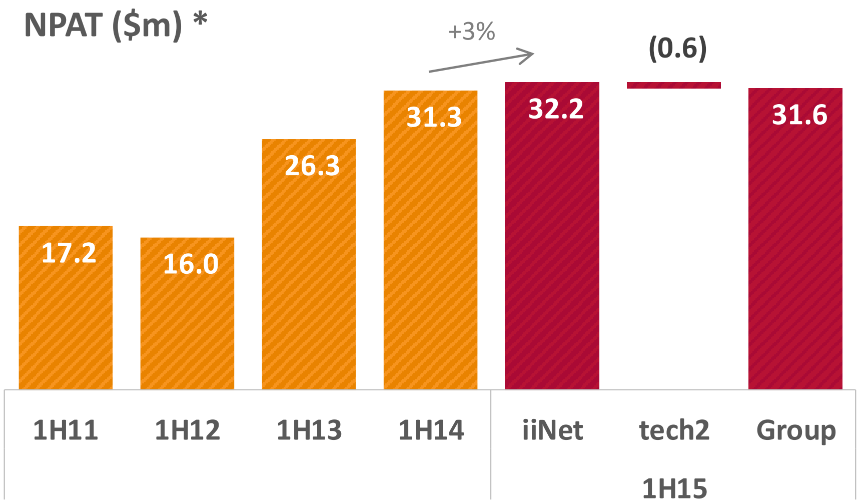


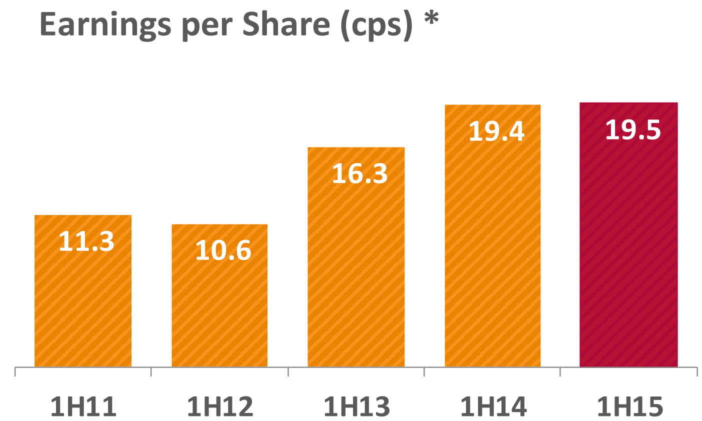
- Strong organic growth – customers and products
- Improved mobile revenue growth driven by iPhone launch in November 2014
- Continued growth in Business revenue driven by focus on the East Coast
- tech2 revenue driven by in home audio-visual and NBN installations

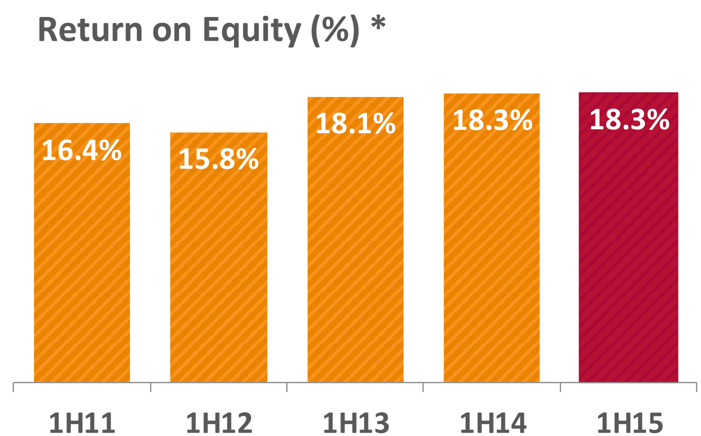
- Continued growth in higher margin on-net and NBN customers
- Increased sales of lower margin mobile handsets
- Investment in call centre and marketing to grow and service customer base
- Investment in tech2 resource to support expected growth of services in next CY2015

* Underlying results per Appendix 4D

Delivering shareholder returns





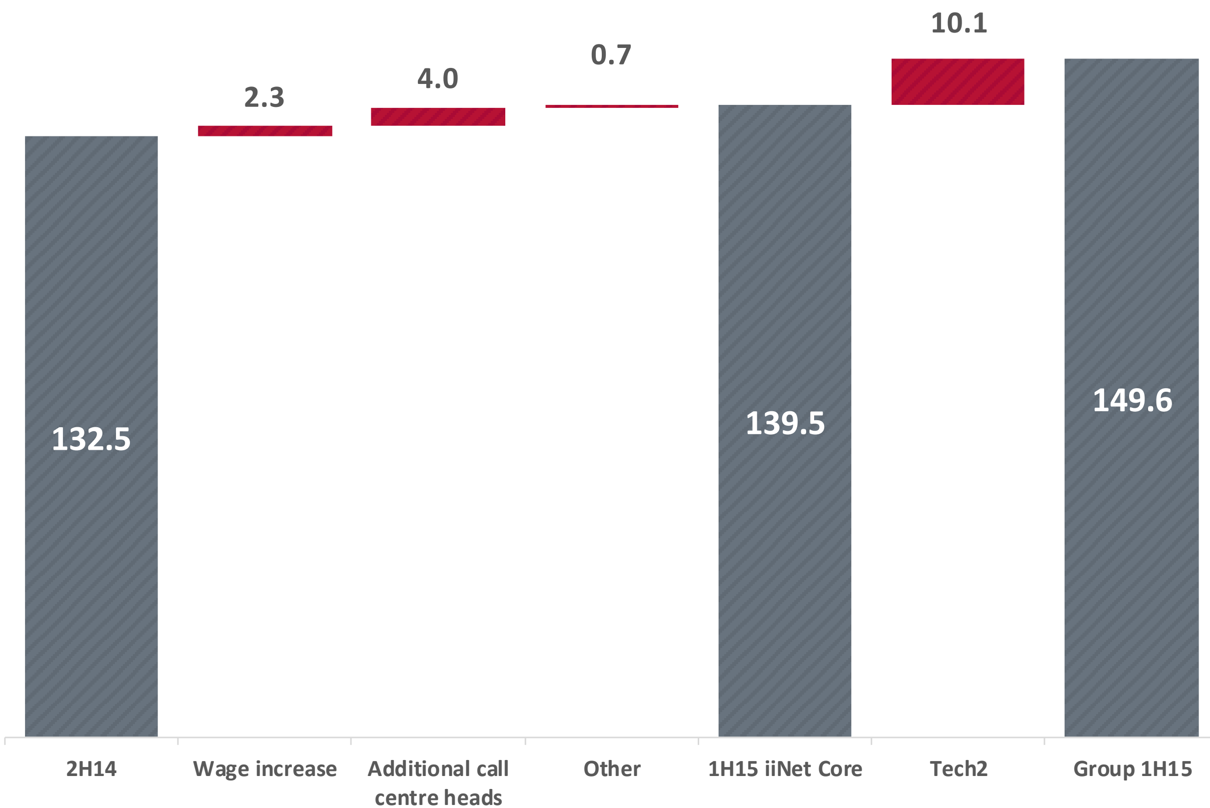


- NPAT impacted by higher effective tax rate following use of tax losses in FY14
- Increase in underlying EPS to 19.5 cents per share
- Strong ROE maintained at 18.3%

* Underlying results per Appendix 4D

Investing in service to drive lower churn and integration efficiency in 2H15

Operating Costs ($m) *



* Underlying results per Appendix 4D (excludes deal and restructuring costs of $2.6m in 1H15 and $0.8m in 2H14)

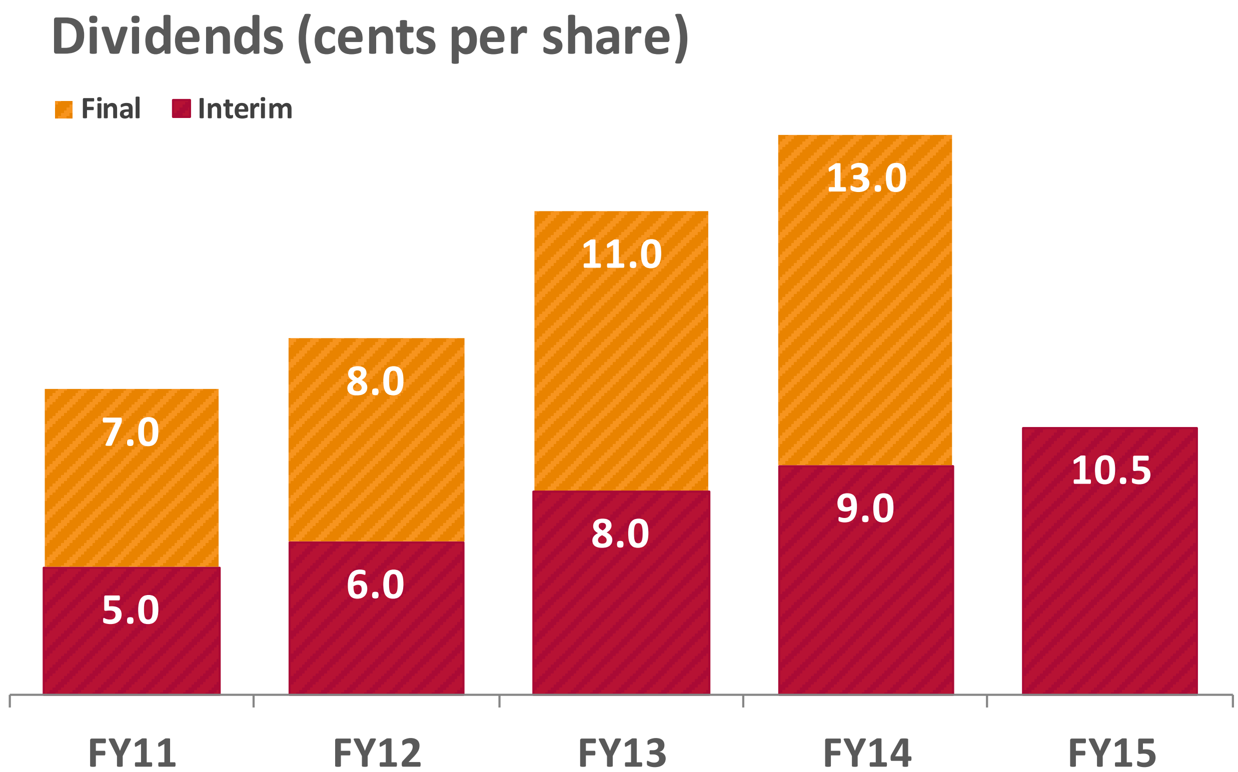
Reduced gearing to 56%

- Operating cash flows impacted by increased inventory for new mobile offers and tech2 opening working capital
- Tax payments skewed toward first half
- Capex investment of $27.3m to support growth initiatives (see appendix for detail)
- Bank gearing down to 56%
- Net debt (inc IRUs) / EBITDA at 1.9x
- New additional IRU bandwidth agreement signed with Southern Cross recognised as equal asset and liability but usage and cash flows to commence in FY16 (see appendix for detail)

$m	1H15	1H14
Operating cash flows	89.0	101.3
Net interest	(8.6)	(10.2)
Tax paid	(22.9)	(19.0)
Subscriber acquisition costs	(4.4)	(4.0)
Capital expenditure	(27.3)	(24.3)
Proceeds from sale of FTTP network in Canberra to NBN Co	-	9.0
Acquisition costs	(13.3)	(59.1)
Net cash flows before financing	**12.5**	**(6.3)**
Net bank debt	203.4	207.4
Shareholder's equity	365.3	335.9
Gearing	**56%**	**62%**
Net debt (including IRU leases)	382.7	337.4
Net debt/ EBITDA* ratio (including IRU leases)	1.9	1.8

* Underlying results per Appendix 4D

Increased dividend payout ratio



Strong organic growth underpinned by focus on service

Focused strategy delivering long term shareholder value

A focused strategy for future growth

Maximise

- East Coast market share opportunity
- NBN acceleration – HFC and regional opportunities
- Leverage record high NPS advocacy
- Ongoing simplification and efficiency

Extend

- Continued Business growth
- Extending our mobile offering
- Increasing our product bundling

Expand

- Leverage tech2 in-home and NBN capabilities
- Leverage connected home opportunity (AllSeen Alliance)

Great service and marketing driving organic growth

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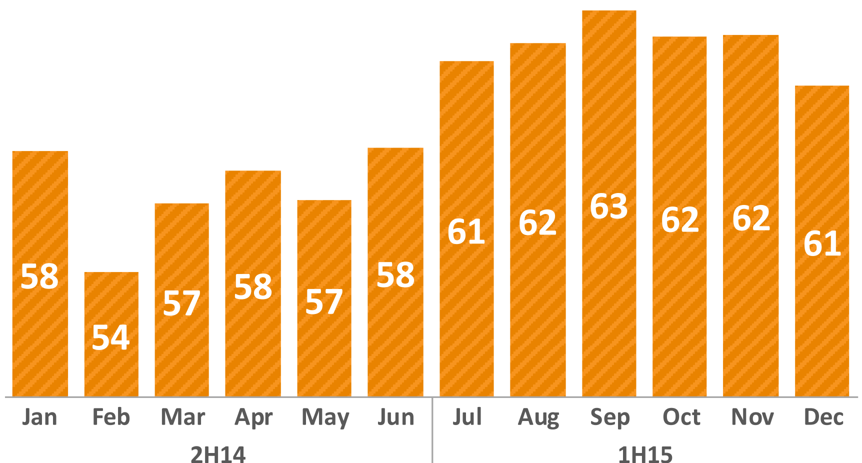
Net promoter score reaches record high



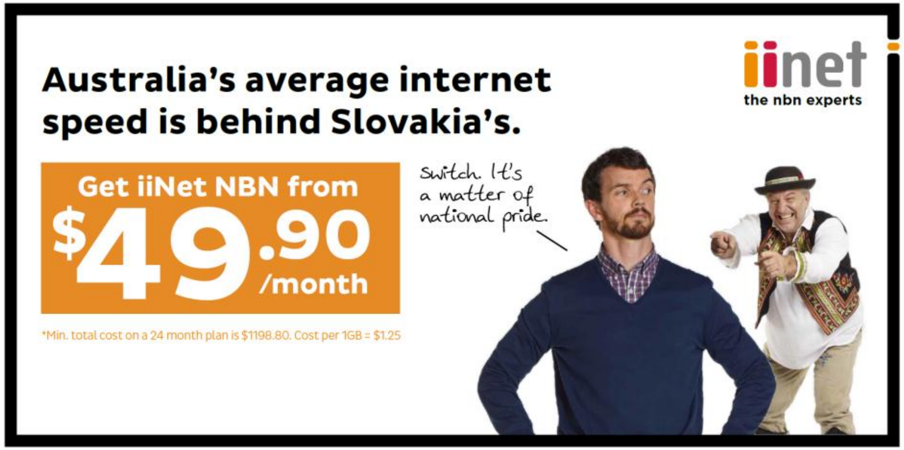
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Broadband churn	1.2%	1.2%	1.3%	1.2%	1.3%	1.3%	1.2%	1.1%	1.1%	1.1%	1.1%	1.3%

Improved sales and marketing execution

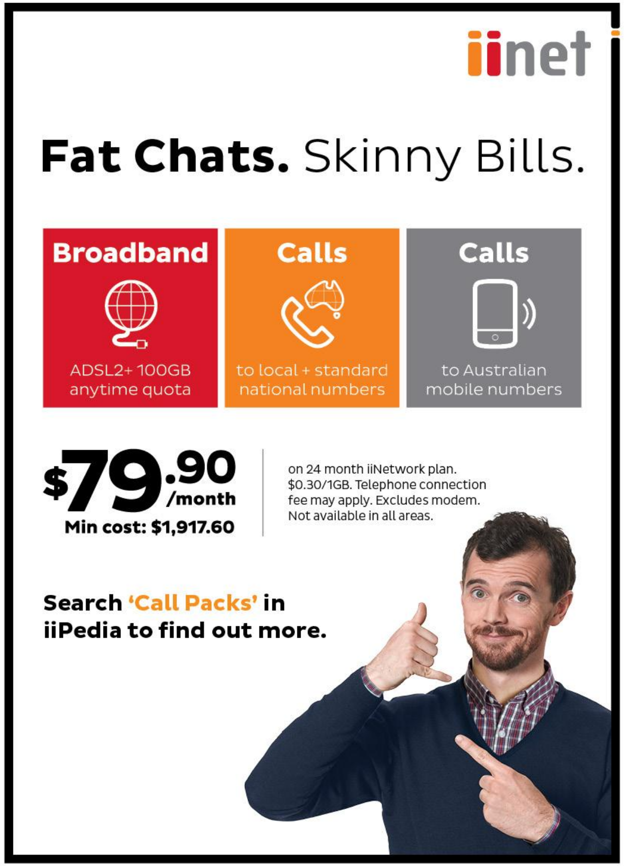
10% increase in iiNet unprompted brand awareness from December 2013 driving sales growth on the East Coast

Marketing execution - delivering sales growth

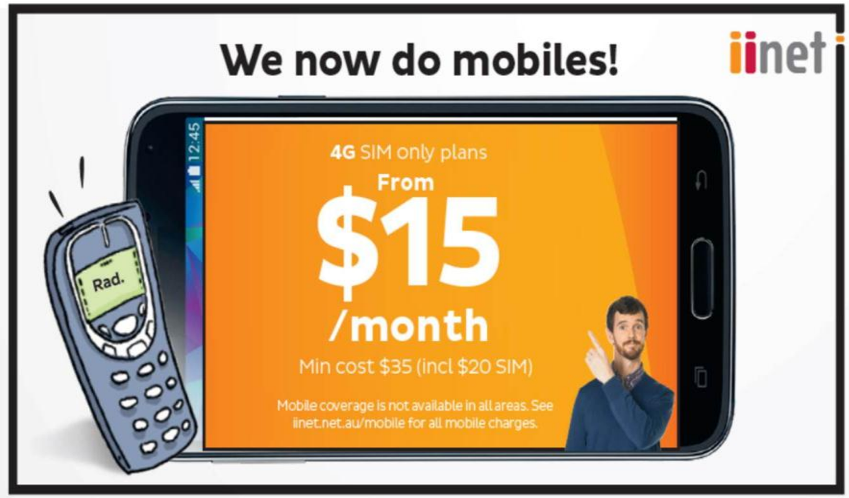
NBN and Naked in 1H15

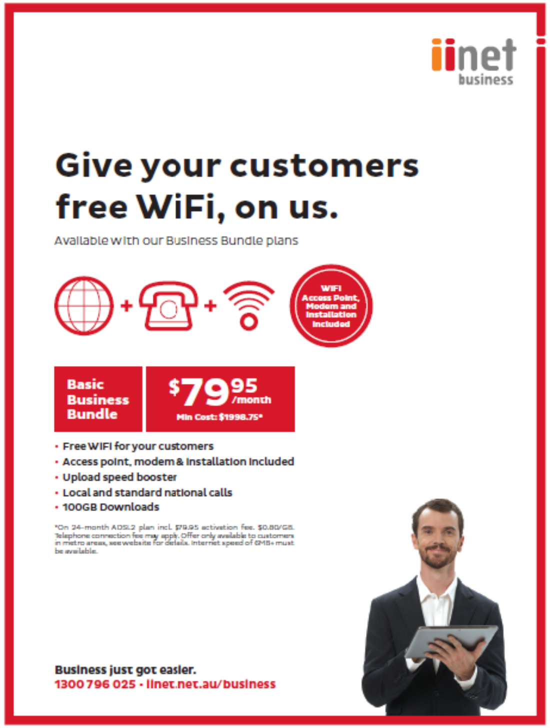


Our focus this quarter

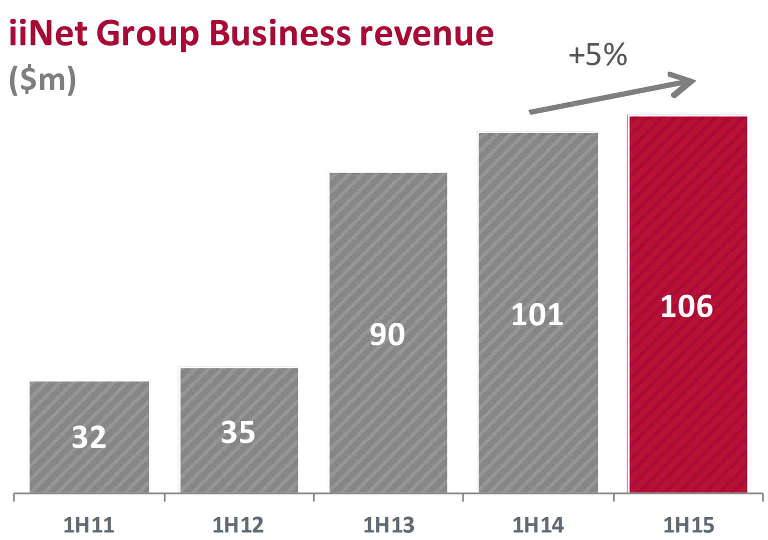


Expanding our mobile product offering

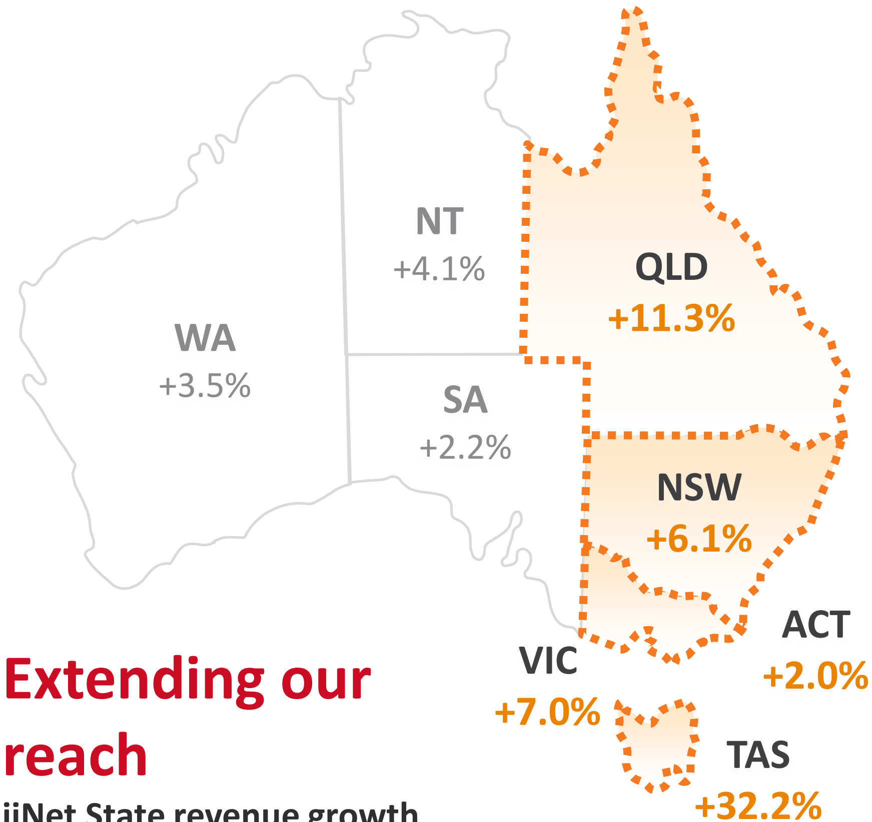




Further growth in Business revenues



- Focused on the East Coast opportunities
- Increasing traction in service layer products



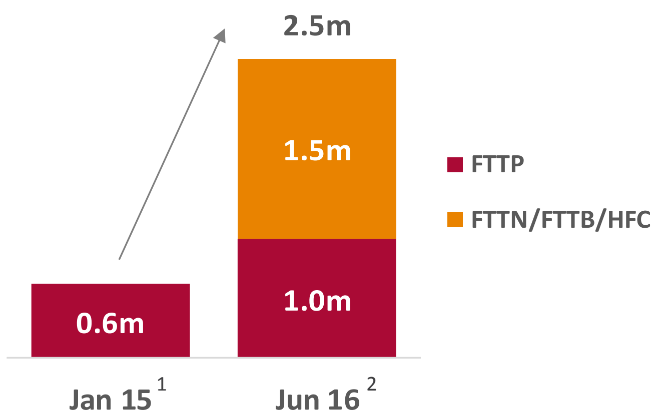
Extending our reach

iiNet State revenue growth 1H14 to 1H15

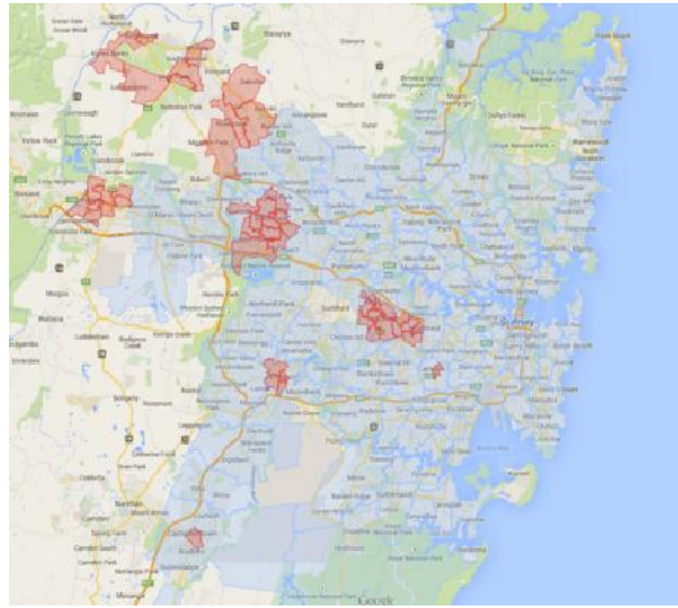
NBN opportunity accelerating in 2015

Accelerating roll out plan

NBN Fibre premises



	Total 2020 [3]	
FTTP	3.1m	Continues to roll out to metro areas
FTTB	1.4m	Launching in March 15
FTTN	3.6m	Launching initial 250k footprint in mid 2015
HFC	3.3m	In development for launch in early 2016



Moving to metro

Restructured our NBN Fibre plans

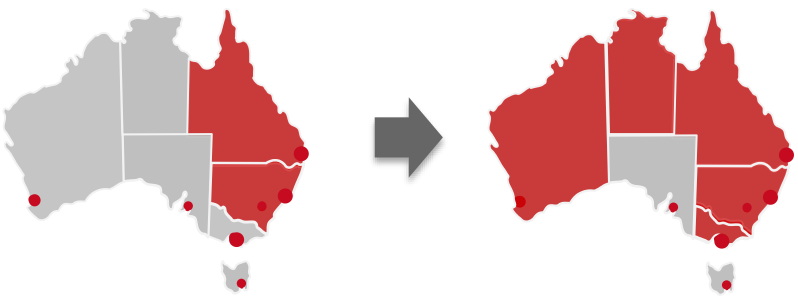
- Better value for customers
- Increased quota and introduced Anytime
- Local and national calls included
- No contract option introduced

1. As per NBN Weekly Progress Report 15 Jan 2015
2. Constructed as per 'NBN multi-technology rollout plan' 30 Nov 2014
3. Forecast premises passed as per NBN Corporate Plan 2014-17 (November 2014)

Growing tech2

NBN connections well positioned for growth

- Completing 10% of NBN customer activations nationally in **QLD, NSW and ACT** (2Q15)
- Expanded our footprint into **WA, VIC and NT**
- Participating in new technology trials
- Well positioned to benefit from accelerating NBN multi-technology roll out nationally



Jul 2014
250 premises per week

Feb 2015
700 premises per week

Providing quality in home / office service

- Focus on great customer service with NPS **>70**
- Audio Visual installations nationally in over 3,000 homes / businesses per month
- Quality IT support for PC/Tablet's

tech2home (Communications) tech2 GROUP tech2home simplify >> satisfy tech2business

Connected home market

- iiNet joined the AllSeen Alliance on 11th February 2015
- Cross-industry collaboration to advance open software standard for the Internet of Everything
- Largest consortium with over 120 members world-wide including device and software manufacturers
- Committed to open source standard for the connected home to promote integration and innovation of devices

In summary…

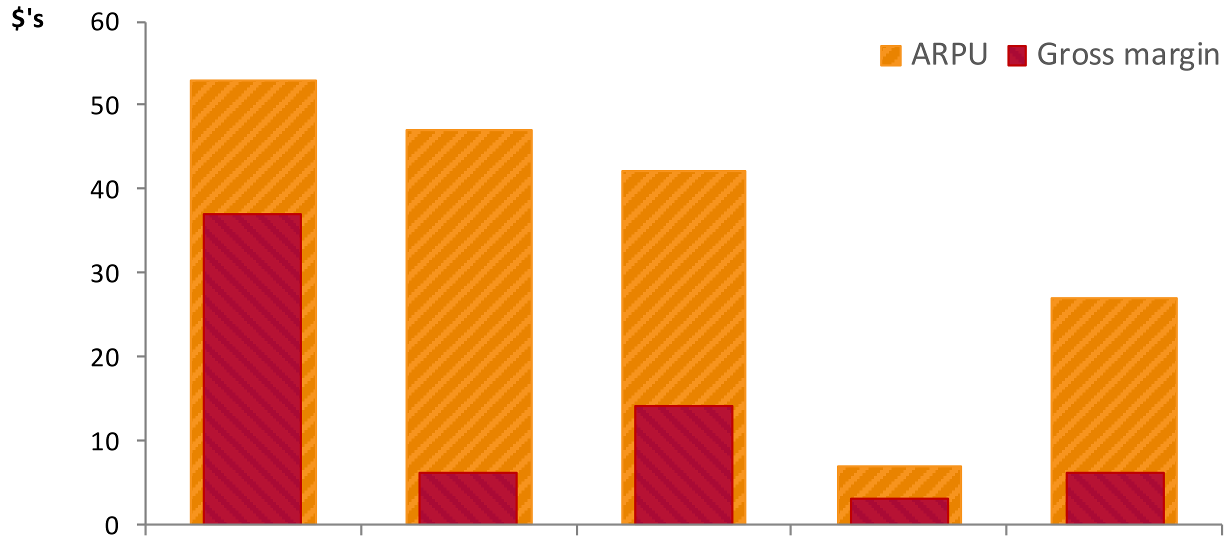
Continuing to deliver shareholder value	▪ Record revenue in 1H15 reaching $547m ▪ Underlying earnings increase to $32m NPAT ▪ Reducing debt while investing in capability to support growing base and tech2 acquisition ▪ Interim dividend up 17% to 10.5 cps fully franked

Growth strategy – leverage core and extend our brands	▪ **Maximise**
	  ▪ NBN opportunity – with growth focus on the East Coast
	  ▪ Leverage our excellent customer service and marketing
	  ▪ Delivering operational simplification and efficiency
	▪ **Extend –** growing Business revenue and mobile offering
	▪ **Expand –** create new revenue streams and leverage in-home installations

Q&A

Appendices

Product margins remain stable



1H15 (Group Total*) - $'s	On net	Off net	Fixed Phone	VoIP	Mobile
ARPU	53	47	42	7	27
Cost	16	41	28	4	21
Gross margin	37	6	14	3	6
GM %	*70%*	*13%*	*33%*	*43%*	*22%*

* Excludes Adam Internet

Capital investment for growth

1H15 iiNet Group CAPEX	Growth	Integration	Maintenance
NETWORK CAPACITY	$5.5m	$0.2m	$1.2m
IT SYSTEMS	$7.0m	$1.6m	$4.0m
CORPORATE	$2.2m	$0.1m	$0.1m
TRANSACT			
Customer installations	$1.7m		
FTTP build for NBN Co	$0.8m		
WI-FI	$1.4m		
OTHER	$1.4m		
TOTAL	**$20.1m**	**$1.9m**	**$5.3m**
SHARE	**74%**	**7%**	**19%**

74% of capex invested in growth

- Core network hardware upgrades to support usage growth
- NBN POI expansion
- IT and Corporate investment to facilitate expanded call center capability in Cape Town and Auckland
- Business customer growth in TransACT as well as FTTP build in ACT for NBN Co

Integration capex of $1.9m for TransACT and Adam Internet

International bandwidth IRU's

New additional IRU signed with Southern Cross for extra 600Gb

- Utilisation and cashflow payments scheduled to commence in December 2015 with $57m additional asset and liability recognised from December 2014

Financial Impact of IRUs including new SX agreement ($m)								
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Cash flow	25.4	39.5	47.8	45.9	16.2	11.7	10.1	6.0
Amortisation	9.4	11.2	12.8	12.8	12.8	12.8	12.8	12.8
Interest	7.3	7.7	6.9	4.4	2.5	1.8	1.2	0.7
Total P&L	**16.6**	**18.9**	**19.6**	**17.1**	**15.3**	**14.6**	**14.0**	**13.5**

- Straight line amortisation continues beyond FY22 for new IRU

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Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from iiNet Limited current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.

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