



Competing Proposal for iiNet - Update

Tuesday, 28 April 2015: M2 Group Ltd ("M2", ASX: MTU) notes its announcement yesterday regarding its indicative, non-binding, incomplete and confidential proposal to acquire iiNet Limited via scheme of arrangement ("Competing Proposal").

M2 wishes to clarify the headline value of its Competing Proposal. Under M2's Competing Proposal, iiNet shareholders would receive 0.803 M2 Shares plus a \$0.75 special dividend¹ for each iiNet share. Based on the closing price of M2 Shares on 24 April 2015 (being the last trading date before the announcement of the Competing Proposal), the implied value of M2's Competing Proposal is \$10.00 per iiNet share, which represents a 16.3% premium to the current \$8.60 cash offer from TPG.

M2 has offered a largely scrip-based offer to enable iiNet shareholders to benefit from the synergies delivered by a combined group. M2's announcement yesterday included M2's view of the estimated value of synergies that would accrue to iiNet shareholders as shareholders in the enlarged M2 Group. Whilst that value was determined based on considerable work undertaken by M2, M2 recognises that there may be differing views on the appropriate value to be ascribed to such synergies and risks in achieving such synergies. In assessing M2's Competing Proposal, the iiNet board will ultimately need to form its own view on the estimated value of synergies.

If M2 and iiNet enter into a scheme implementation agreement, it is expected that an independent expert will be engaged to (i) opine on whether the offer is in the best interests of iiNet shareholders; and (ii) produce a report outlining their analysis and conclusions. We would usually expect that report to consider the value of transaction synergies and the potential circumstances that could adversely impact the timing, achievability or indicative value of those synergies post transaction. Should this transaction proceed, iiNet shareholders would have the opportunity to consider these materials before being asked to vote.

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¹ The special dividend would be franked to the maximum extent possible and is subject to iiNet holding sufficient retained earnings.

