



Investor Update

6 May 2015

- **13 March 2015** – iiNet Limited (“iiNet”) and TPG Telecom Limited (“TPG”) entered into a Scheme Implementation Agreement under which TPG would acquire 100% of the fully diluted ordinary shares that it does not already own in iiNet¹ by way of Scheme of Arrangement, subject to iiNet shareholder approval and other conditions (“Initial Scheme”)
- **27 April 2015** – iiNet confirmed receipt of a non-binding, indicative, incomplete and confidential competing proposal from M2 Group Limited (“M2 Offer”)
- **30 April 2015** – iiNet issued a “Relevant Notice” to TPG triggering their matching rights under the Scheme Implementation Agreement
- **5 May 2015** – Prior to the deadline on 5 May 2015, TPG exercised their right to submit a counter proposal and has revised the terms of their offer. TPG’s counter proposal is **an increased offer of \$9.55 cash per iiNet share incorporating a \$0.75 special dividend**. This includes a capped scrip alternative for iiNet shareholders that elect to roll over their holdings (“Revised TPG Offer”)
- **The iiNet Board has determined the Revised TPG Offer is more favourable to iiNet and iiNet shareholders than the M2 Offer**

Board recommendation

The iiNet Board unanimously recommends that iiNet shareholders vote in favour of the Revised TPG Offer, in the absence of a superior proposal and subject to the Independent Expert concluding that the Revised TPG Offer is in the best interests of iiNet shareholders.

1. TPG currently owns 6.25% of iiNet.

The Revised TPG Offer consists of an increased offer of \$9.55 cash per iiNet share incorporating a \$0.75 special dividend and includes a capped scrip alternative to enable iiNet shareholders to choose between receiving consideration in cash or in TPG shares.

Update on Offer Terms

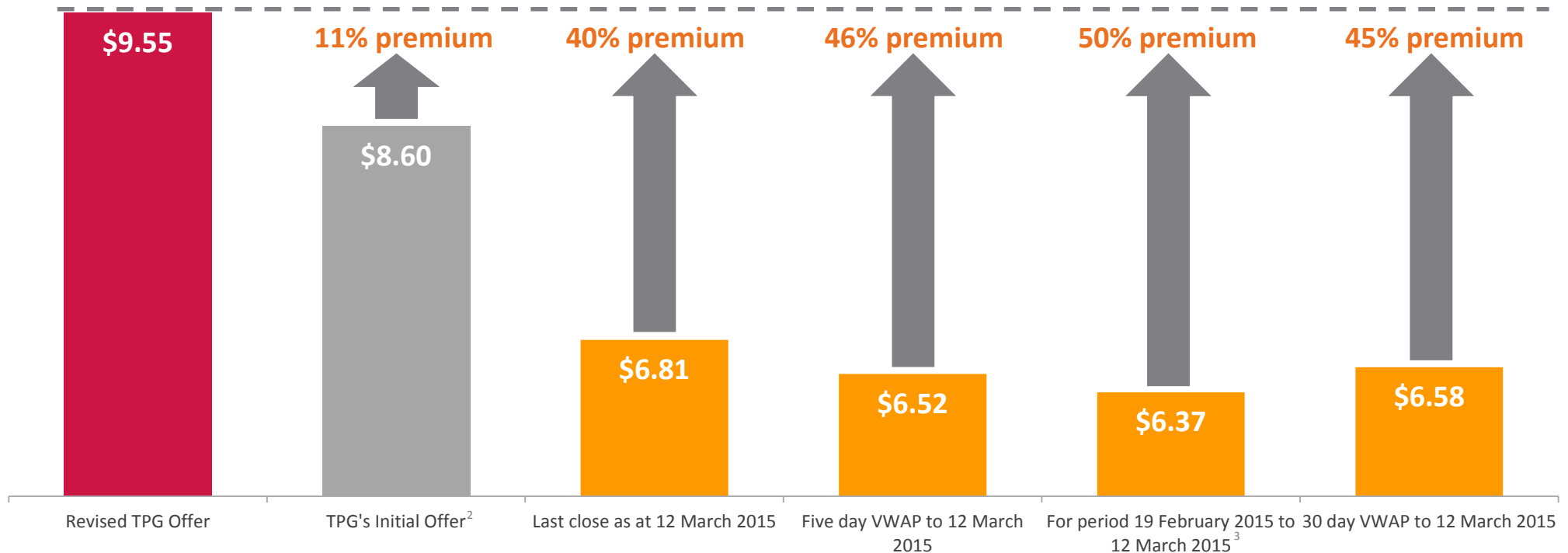
- **An increased headline offer price of \$9.55 per iiNet Share** (“Total Consideration”), inclusive of:
 - **\$8.80 cash or scrip consideration** (“Scheme Consideration”), subject to a cap on the scrip consideration; and
 - **\$0.75 cash as a fully franked special dividend** (“Special Dividend”), subject to a favourable ruling from the ATO and to the extent permitted by iiNet’s retained earnings at the time of declaration
 - Should the Special Dividend be less than \$0.75 per iiNet Share, TPG will pay the difference in cash
- The Revised Offer allows iiNet Shareholders to make an election to receive the Scheme Consideration in cash (**“Cash Election”**) or in TPG shares (**“Share Election”**), other than the Special Dividend which will only be paid in cash
 - iiNet shareholders who do not make an election will receive their Scheme Consideration in cash
- **Share Election:** iiNet Shareholders who make a Share Election will receive **0.969 TPG shares per iiNet Share** plus the Special Dividend. The total number of new TPG shares available to be issued is capped at c. 27.5 million TPG shares¹

Limited Conditionality

- Limited conditionality including Independent Expert’s opinion, regulatory approval, iiNet shareholder and Court approval, no more than a 15% decline in S&P/ASX 200 Index for 5 consecutive days and no Material Adverse Change occurring
- Not subject to financing or due diligence

1. If the total number of new TPG shares required to be issued to iiNet Shareholders who make a Share Election exceeds this number, the number of TPG shares each such Shareholder will receive, will be scaled back pro-rata and the balance of their Scheme Consideration paid in cash.

The Total Consideration of \$9.55 per share represents the following premia relative to iiNet's trading prices¹ and TPG's Initial Offer:



1. iiNet Share prices prior to 12 March 2015 have been adjusted for the fully franked 2015 Interim Dividend of \$0.105 per iiNet Share, which was declared by iiNet on 18 February 2015 and paid on 30 March 2015. 12 March 2015 being the last day prior to the initial TPG SIA announcement on 13 March 2015.

2. TPG's Initial Offer was announced pre market open on 13 March 2015. The offer of \$8.60 per iiNet share excludes the Interim Dividend of \$0.105 per iiNet Share.

3. 19 February 2015 being the day iiNet announced its results for the six months ended 31 December 2014 (1H15).

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Significant Value to iiNet Shareholders

- **\$9.55 per Share represents a 11% improvement on TPG's Initial Offer of \$8.60 per Share**
- Significant premium to iiNet Share prices and average broker price targets pre-announcement of TPG's Initial Offer
- Implies an **enterprise value of c. \$1.9bn and a c. 9.9x CY14 EV/EBITDA multiple¹**
- The Special Dividend will give an additional benefit to iiNet Shareholders who can capture some benefit from the attaching franking credits²

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Provides a scrip alternative without compromising on value certainty

- Capped scrip alternative allows iiNet Shareholders to choose to receive TPG shares, subject to a cap. The scrip election provides various benefits, including:
 - Potential CGT rollover relief;
 - Continued exposure to the Australian telecommunications sector, to iiNet and any resultant synergies which are not already factored into TPG's share price; and
 - Increased trading liquidity and institutional following in the enlarged entity.
- Retains **significant value certainty** for those iiNet Shareholders who prefer to receive the Scheme Consideration in cash, with a fixed and certain price received under the cash offer, and potential upside under the scrip offer
- Limited conditionality

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Intention to retain the iiNet Brand

- TPG has communicated its intention to retain the iiNet brand, and accordingly, the high level of customer service that the iiNet brand is renowned for

1. Includes iiNet net debt of \$383m (including Indefeasible Right of Use liability) and underlying iiNet CY14 EBITDA of \$197m.

2. The value of franking credits is not the same for all iiNet Shareholders. The use of franking credits and the exact post-tax value realised by iiNet Shareholders will depend on their individual tax circumstances. iiNet Shareholders should consult their professional taxation adviser in respect of their individual tax situation.

Revised TPG Offer vs. M2 Offer Comparison

Upon careful consideration, the iiNet Board, in conjunction with its advisers, has concluded the Revised TPG Offer is more favourable to iiNet and its Shareholders than the M2 Offer. The key considerations that were taken into account include:

	Revised TPG Offer	M2 Offer
1	The headline price of the Revised TPG Offer is at least \$9.55, whereas the implied price of the M2 Offer, varies with M2's share price	<ul style="list-style-type: none">Special Dividend: up to \$0.75 per share with attaching franking credits¹Scrip component: 0.803 M2 shares for each iiNet shareIncluding the Special Dividend, the total implied offer price varies depending upon the valuation of M2 shares:<ul style="list-style-type: none">\$9.67, based on M2's last closing price of \$11.11\$9.37 - \$9.67, based on M2's closing prices from announcement²
2	Both offers have a scrip component	<ul style="list-style-type: none">Both offers provide the ability to access the key benefits of receiving scrip and associated capital gains tax rollover relief, although the scrip alternative in the Revised TPG Offer is cappedThe iiNet Board considers that additional upside from synergies under the M2 Proposal is likely to be limited, as the majority of value attributable to potential future synergies has been factored into the price premium offered for iiNet shares
3	Significant value certainty of the Revised TPG Offer	<ul style="list-style-type: none">The Revised TPG Offer provides significant value certainty for iiNet Shareholders who prefer to receive cash and also flexibility for those who prefer to receive scrip, subject to the cap

1. The value of franking credits is not the same for all iiNet Shareholders. The use of franking credits and the exact post-tax value realised by iiNet Shareholders will depend on their individual tax circumstances. iiNet Shareholders should consult their professional taxation adviser in respect of their individual tax situation.

2. Based on M2's closing share prices from 27 April 2015, being the date of announcement of the M2 Offer, to 5 May 2015.

The indicative scheme timetable below has been updated following the Revised TPG Offer:

Event	Expected date
Lodge Scheme Booklet with ASIC	Late May 2015
First Court Hearing Date	Early June 2015
Scheme Booklet registered with ASIC	Early June 2015
Dispatch of Scheme Booklet	Mid June 2015
Scheme Meeting	Late July 2015
Second Court Hearing Date	Early August 2015
Effective Date	Early August 2015
Record Date	Early August 2015
Implementation Date	Mid August 2015

1. This is an indicative timetable only and is subject to change, including following any regulatory consultation and as may be required by the Court.

- ✓ After careful consideration, the Board of iiNet has determined the Revised TPG Offer is more favourable to iiNet and iiNet Shareholders than the M2 Offer
- ✓ The Revised TPG Offer provides a capped scrip alternative which may be attractive for some iiNet shareholders
- ✓ TPG has communicated its intention to retain the iiNet brand, and accordingly, the high level of customer service that the iiNet brand is renowned for

Board recommendation

The iiNet Board unanimously recommends that iiNet shareholders vote in favour of the Revised TPG Offer, in the absence of a superior proposal and subject to the Independent Expert concluding that the Revised TPG Offer is in the best interests of iiNet shareholders.

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DISCLAIMER

Some of the information contained in this presentation contains “forward-looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect iiNet Limited current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of iiNet Limited.

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.

