

ASX Release

The Manager
Company Announcements Office
Australian Securities Exchange
Level 40, Central Park
152 – 158 St Georges Terrace
Perth WA 6000

Dear Sir/Madam,

iiNet issues Relevant Notice to TPG commencing matching right process

30 April 2015: Further to the announcement of 27 April 2015 confirming receipt of a non-binding, indicative, incomplete and confidential competing proposal from M2 Group Limited (“M2”), iiNet advises it has now completed due diligence enquiries and issued a “Relevant Notice” to TPG triggering their matching rights under the Scheme Implementation Agreement entered into with them (“TPG SIA”). TPG now has the right, but not the obligation, to submit a counter proposal for the iiNet Board to consider at any time during the next 3 business days ending at 5pm (WST) on Tuesday 5 May 2015.

In addition, iiNet has held discussions with M2 in relation to a scheme implementation agreement (“M2 SIA”). The M2 SIA, which remains subject to iiNet Board approval, is necessarily different to the TPG SIA given the predominantly scrip consideration. However, where comparable, it is on terms no less favourable to iiNet shareholders.

The M2 Offer comprises the following:

- *Consideration payable to iiNet shareholders:* 0.803 M2 shares for each iiNet share plus a \$0.75 special dividend paid by iiNet and funded by M2. This dividend will be franked to the maximum extent possible given available iiNet retained earnings and franking credits at the time of the dividend declaration. The value attributable to this consideration varies depending on the trading period of M2 shares used as a reference point, and is outlined as follows:

M2 Trading Period	M2 Share Price	Implied Offer Price (scrip component) based on 0.803 Exchange Ratio	“Total Implied Offer Price” (scrip component plus Special Dividend)
24 April Closing Price	\$11.52	\$9.25	\$10.00
29 April Closing Price	\$11.07	\$8.89	\$9.64

M2 Trading Period	M2 Share Price	Implied Offer Price (scrip component) based on 0.803 Exchange Ratio	"Total Implied Offer Price" (scrip component plus Special Dividend)
10 day VWAP up to and including 29 April	\$11.14	\$8.94	\$9.69
13 day VWAP (from the Call Plus acquisition announcement on 13 April) up to and including 29 April	\$11.18	\$8.97	\$9.72
30 day VWAP up to and including 29 April	\$10.77	\$8.65	\$9.40

- *Board seats:* two iiNet directors would be invited to join the combined board as non-executive directors.

Further details on the M2 Offer can be found in M2's announcements to the Australian Securities Exchange ("ASX") on Monday 27 April 2015 and Tuesday 28 April 2015.

M2 have advised iiNet that if M2 and iiNet do not enter into a SIA by 5.00pm (Melbourne time) on Wednesday 6 May 2015, M2's current competing proposal and associated financing approvals will be withdrawn.

The value attributable to the M2 Offer has been compared to the existing \$8.60 cash offer from TPG. The iiNet Board recognises the certainty of value attributable to a cash offer relative to scrip based consideration and has given due consideration to the value of M2's proposal under a range of scenarios. These scenarios consider a range of historical M2 share price averages together with iiNet's own fundamental analysis of M2's valuation.

iiNet considered a range of synergy estimates. If the M2 Offer proceeds to execution of the M2 SIA, an independent expert will be appointed to opine on whether the M2 Offer is in the best interests of iiNet shareholders and the independent expert's report (which will be distributed to iiNet shareholders) is expected to consider the value, timing and achievability of the synergies.

The iiNet Board notes that these synergy benefits would only be realised by iiNet shareholders through future movements in the M2 share price subsequent to the combination of the two companies if the M2 scheme is approved by iiNet shareholders and the Court. Further, these benefits are only likely to be reflected in future share price movements to the extent they are not already priced into the premium M2 has offered relative to iiNet's share price immediately prior to the announcement of the TPG Offer.

Following its analysis, the iiNet Board considers the value premium of the M2 Offer under the range of scenarios reviewed, relative to the TPG Offer, is sufficient to enable the iiNet Board to issue the Relevant Notice to TPG and commence the matching right process.

TPG is fully aware of the details of the M2 Offer and iiNet now awaits TPG's response. Should TPG elect to exercise its right to submit a counter proposal, the iiNet Board will give that proposal due consideration.

iiNet Chairman Michael Smith said “We have to recognise that evaluating the M2 and TPG proposals requires careful analysis given TPG is offering cash and M2 is offering shares in a significantly enlarged telecoms company. There is some judgment required on our part, however we do believe that based on the terms currently in front of us, the M2 proposal warrants triggering the matching right process with TPG. Trading of iiNet shares on the ASX since M2’s announcement of the proposal on 27 April 2015 and the majority of analyst commentary has been consistent with that view”.

“Without pre-empting any response from TPG, they have a right to submit a revised proposal in the coming days. Once we know their position, we will provide a recommendation to shareholders as to which proposal we believe they should support. Ultimately, it will be up to shareholders as to whether they accept the offer the Board recommends” added Mr Smith.

Once the iiNet Board’s ultimate recommendation has been determined, iiNet will provide full details to the market of the basis for its recommendation.

In accordance with the process outlined in the TPG SIA, the formal recommendation of iiNet Directors does not change, if at all, until the completion of the matching right process. In the meantime, the iiNet Board therefore continues to recommend the TPG Offer as announced on 13 March 2015.

– 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 a silver medal at the Contact Centre World Awards in 2014.

We employ more than 2,500 inquisitive staff across three countries – 80 per cent of whom are employed to directly service nearly one million customers. We maintain our own broadband network and support over 1.8 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>

