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Company Announcements Office  
Australian Securities Exchange Limited

## **Sale of iiNet shares, distribution to shareholders and share consolidation**

- Amcom holding in IIN – 23.4% stake or 35.5m shares
- Cash average entry price \$1.14
- Amcom has sold 4.5m IIN shares
- Proposed distribution of 31m IIN shares to AMM shareholders on a pro-rata basis
- 1:3 share consolidation proposed following IIN share distribution

Amcom Telecommunications Limited (“Amcom”) (ASX: AMM), a leading provider of data networks, cloud-based voice, video and IT services, today announces it has sold 4.5m of its shares in iiNet Ltd (ASX: IIN), and will seek shareholder approval to distribute the balance of the company’s holding in iiNet of approximately 31 million shares in an in specie distribution to its shareholders.

Amcom’s CEO Mr Clive Stein said “Our Board believes iiNet is a quality business and the investment has delivered significant value uplift to Amcom. However, Amcom and iiNet service different segments of the telecommunications market and have different strategies to grow and continue delivering shareholder value in the future. For these reasons, we believe Amcom shareholders should be allowed to choose their own mix of exposure to the consumer and enterprise markets and both businesses would benefit by moving forward independently of each other.”

In March 2010 Amcom upgraded its FY 11 earnings guidance for at least a 25% increase in net profit after tax over FY 10.

“Amcom now has considerable scale. We have experienced consistent double digit organic growth in our core business over several years and we are now strategically placed to leverage the emerging telecommunications and IT markets. The recently announced partnership with Dimension Data unit, BlueFire Corporation reinforces the strategic direction of the business in the emerging hosted cloud market” said Mr Stein.

Amcom acquired the majority of its 23.4% stake in iiNet in 2006 at an average cash entry price of \$1.14 per share.

A consolidation of the company’s ordinary share capital on a 1 for 3 basis is also proposed to occur after the iiNet share distribution.

## **Sale of iiNet shares**

Amcom has sold 4.5 million of its 35.5 million shareholding of iiNet shares. The proceeds generated will leave the company with no net debt and provide working capital to fund growth as the company has moved into the fast growing cloud services market.

The earnings guidance referred to above does not include the profit realised on the sale of these iiNet shares.

## **Proposed distribution**

The Board proposes to distribute 31 million iiNet shares to Amcom shareholders by way of an in specie distribution.

The distribution will be on a pro-rata basis for nil consideration. This equates to 1 iiNet share for every 23.2 Amcom shares held, or expressed another way, for every 10,000 Amcom shares held shareholders will receive approximately 430 iiNet shares. The proposed in specie distribution will be put to Amcom shareholders at a general meeting to be held in early August 2011.

Commenting on the distribution Mr Stein said "This transaction should provide greater clarity on the value inherent in Amcom and provide our shareholders with greater discretion in managing their own investment portfolio."

"The Board believes this proposed distribution is in the best interests of Amcom shareholders. It should deliver greater visibility of the worth of each company in the marketplace, and provide both companies the opportunity to move forward and prosper independently of each other" said Mr Stein.

Although shareholders may pass the resolution, the final decision to proceed with the distribution and the timing of it will be made by the Board of Directors. In the absence of Amcom receiving an offer for the iiNet shares which the Board determines is in the best interests of shareholders to accept, the proposed distribution is considered to be in the best interests of Amcom shareholders.

Directors believe that the planned in specie distribution will be tax neutral to most shareholders. The company is seeking a ruling from the Australia Taxation Office. Further details will be included in the Notice of Meeting and Explanatory Memorandum which will be available in the coming weeks.

## **Proposed Share Consolidation**

The Board of directors proposes to consolidate the company's share capital through the conversion of 3 ordinary Amcom shares into 1 ordinary share. If approved by shareholders the consolidation will take place shortly after the distribution of iiNet shares. The number of Amcom shares on issue would reduce from currently 721 million to approximately 240 million. This resolution is not dependent upon the distribution occurring.

Commenting on the proposed share consolidation Amcom's Mr Clive Stein said "The consolidation of Amcom's shares on issue will provide an equity structure outcome more in line with our industry peers".

If approved by shareholders, the consolidation will have no impact on each shareholder's percentage ownership of the company. Where the consolidation of a shareholder's holding results in an entitlement to a fraction of a share, the fraction will be rounded up to the nearest whole number of shares.

Further details of the proposed in specie distribution and share consolidation will be included in the notice of meeting and explanatory memorandum which will be sent to shareholders in coming weeks.

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