

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 Scheme Booklet Released

15 June 2015: iiNet Limited (“iiNet”) is pleased to announce that the Australian Securities and Investment Commission has registered the Scheme Booklet in relation to a proposal from TPG Telecom Limited (“TPG”) to acquire all of the ordinary shares in iiNet that TPG does not already own by way of a recommended scheme of arrangement (“Scheme”). The Scheme Booklet sets out the information shareholders require to evaluate the proposal, along with an associated Notice of Meeting.

Shareholders are being asked to approve a \$9.55 per iiNet share total consideration¹, which includes an \$8.80 cash or scrip component plus a special fully franked dividend of up to \$0.75. Should the special dividend be less than \$0.75 per iiNet Share, TPG will pay the difference in cash. Shareholders electing to take the \$8.80 component in TPG shares will receive 0.969 TPG shares per iiNet share, subject to a cap of approximately 27.5 million TPG shares².

iiNet’s Directors unanimously recommend that all shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert, Lonergan Edwards & Associates Limited, maintaining its conclusion that the Scheme is in the best interests of iiNet shareholders.

For the reasons set out in its report dated 10 June 2015, the Independent Expert has opined that the Scheme is fair and reasonable and in the best interests of iiNet shareholders in the absence of a superior proposal. In addition, the Independent Expert concluded the proposed Scheme to be a superior proposal to the now withdrawn proposal from M2 Group Limited (“M2”).

¹ For shareholders who make a cash election. The value of the total consideration for shareholders who make a share election will fluctuate with changes in the TPG share price.

² If all iiNet shareholders apart from TPG make a valid share election before 5.00pm (WST) on 21 July 2015, and hold those shares on the Scheme record date, each shareholder would receive approximately \$7.18 cash and 0.178 TPG shares per iiNet share, and \$0.75 per iiNet share in a special fully franked dividend (or the top-up cash consideration).

In reaching this opinion, the Independent Expert:

- Assessed the value of iiNet shares including synergies to be **\$8.90 to \$9.75 per share**:
 - This valuation range **includes** approximately **\$1.04 to \$1.46 per share for the value of expected synergy benefits paid to iiNet shareholders**, representing 40 - 50% of total expected synergy benefits available to potential acquirers;
 - Stated that the amount of expected synergies paid away to the target company (i.e. iiNet) should increase in a competitive bid scenario, while the proportion of synergy value paid away to the target shareholders is likely to be materially lower than 50% in the absence of a competing bidding scenario;
- Assessed the value of the total consideration per share under the Scheme with TPG as **\$9.55** for the cash alternative and **\$9.23 to \$9.71** for the share alternative;
- Noted that due to the benefit of Australian franking credits attached to the proposed special dividend of \$0.75 per share included in the consideration, the value of the total consideration to some Australian resident shareholders in iiNet may be greater than \$9.55 per share on a pre-tax basis;
- Found that the consideration payable under the Scheme with TPG represents a significant premium to the recent market prices of iiNet shares prior to 13 March 2015³, and reflects an implied premium which exceeds observed premiums paid in successful takeovers generally; and
- Assessed the value of the (now withdrawn) M2 proposal as \$9.18 to \$9.58 per iiNet share and that on a risk-adjusted basis the proposed **Scheme with TPG is a superior proposal** to the (now withdrawn) M2 Group proposal;

iiNet Chairman Michael Smith said that he was pleased that the Independent Expert had confirmed the view of the iiNet Board that a fair price had been offered for iiNet.

“This is an offer that the Board is very happy to present to shareholders for their approval, and represents excellent value for our investors,” Mr Smith said.

“The Independent Expert has confirmed that the value offered for iiNet takes into account both a control premium and a substantial share of future expected synergies. The \$9.55 headline price is close to the top of its valuation range.”

“Entering a competitive bid scenario increased the value our investors can realise, in part by having a higher portion of expected future synergies paid to our shareholders.”

“In the absence of a superior offer, and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of iiNet shareholders, all of the iiNet Board unanimously recommends shareholders vote in favour of the scheme. I look forward to meeting with shareholders at the Scheme meeting to be held on 27 July,” Mr Smith said.

³ The date of the announcement of initial proposed transaction with TPG

Shareholders will be asked to vote on the Scheme at a meeting held at the Pan Pacific Perth, 207 Adelaide Terrace, Perth, Western Australia on Monday, 27 July 2015 at 10.00am (WST). Proxy votes close at 10.00am (WST) on Saturday, 25 July 2015.

The full Scheme Booklet, including the Independent Expert's Report and a personalised proxy form is expected to be sent to iiNet shareholders on or about 17 June 2015.

Share Election

Following consultation with the Australian Securities and Investment Commission (ASIC), shareholders who wish to take the TPG share election must do so **by 5.00pm (WST) on 21 July 2015**.

As the share election is subject to a cap of approximately 27.5 million TPG shares, iiNet will announce to the market prior to the scheme meeting the number of iiNet shares subject to the share election, and consequently the level of scaling that will apply due to the cap, if any. The time for determining voting entitlements for the scheme meeting has also been set at 5.00pm (WST) on 21 July 2015.

As an example, if *all* iiNet shareholders (apart from TPG) make a valid share election before 5.00pm (WST) on 21 July 2015, and hold those shares on the Scheme record date, which is 5:00pm (WST) on 12 August 2015, each shareholder would receive approximately \$7.18 cash and 0.178 TPG shares per iiNet share, and \$0.75 per iiNet share as the special fully franked dividend (or the top-up cash consideration).

All shareholders will receive the \$0.75 special fully franked dividend regardless of election.

Information on the Scheme is available via the Scheme website at www.iinetscheme.net.au

iiNet shareholders who have questions regarding the Scheme or Scheme Booklet can contact iiNet's shareholder information line on 1300 812 892 (within Australia) or +61 2 9098 9204.

– 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>

