

# 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,

## **Chairman's Address – Scheme Meeting**

**27 July 2015:** In accordance with Listing Rule 3.13, the following Chairman's address is to be delivered to the Scheme Meeting this morning by the Chairman of iiNet Limited.

Regards



Ben Jenkins  
Company Secretary

– 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>



## **Chairman's Address to the Meeting**

Today marks a very significant day in the proud history of iiNet. Without wanting to preempt the outcome of the vote we will conduct later in the meeting, I wanted to take a moment to acknowledge the achievement of building a company such as we have at iiNet.

The takeover process we have been through over recent months demonstrates how strategically valuable iiNet has become to national players in the Telecommunications sector as the industry heads towards an inevitable consolidation phase.

It's clear we have built a business with a brand, customer base and reputation for customer service that a number of key players in the industry would like to own. This is a testament to the dedicated team we have at iiNet that is so well led by our CEO David Buckingham. I would like to formally acknowledge all of their efforts and express my genuine appreciation.

It would also be remiss not to acknowledge the past efforts and achievements of Michael Malone in building this company from such humble beginnings. We certainly wouldn't be where we are today without his tireless efforts over many years.

Having said that, I would now like to give you some background on how we have come to be at this meeting today voting on the proposal in front of us.

### **Background**

On 13 March 2015 iiNet and TPG entered into a Scheme Implementation Agreement under which TPG would acquire all of the iiNet shares it doesn't already hold by way of a Scheme of Arrangement. Under that proposal, iiNet shareholders would receive cash consideration of \$8.60 per iiNet share.

On 27 April M2 Group made a competing proposal under which iiNet shareholders would receive 0.803 M2 shares plus a special dividend of 75 cents per iiNet share. The iiNet Board was satisfied that this proposal was sufficient to support triggering a matching right for TPG.

On 6 May, TPG improved its proposal to \$9.55 per iiNet share, comprising \$8.80 cash **or** 0.969 TPG shares, **plus** a 75 cent Discretionary Special Dividend (or top-up cash equivalent) per iiNet share. The share election is subject to a cap of 27.5 million TPG shares.

This improved TPG proposal is the subject of the Scheme Resolution to be considered at today's Scheme Meeting.

As a result of the improved TPG proposal, M2 has withdrawn its proposal and it is no longer available to iiNet shareholders.

### **Share Election and scale back**

The last date for iiNet shareholders to make a Share Election was 5:00pm (Perth time) on 21 July.

On 22 July, we announced that valid Share Elections for an aggregate of 48,202,422 TPG shares had been received, meaning iiNet shareholders who made a valid Share Election will be scaled back proportionately.

iiNet shareholders who did not make a valid Share Election, or who acquired or will acquire iiNet shares after the Election Date, are deemed to have made a Cash Election.

### **What iiNet shareholders will receive**

If the Scheme Resolution is approved and the Scheme is implemented, iiNet shareholders will receive:

- **Either** \$8.80 cash per iiNet share for those who have made or are deemed to have made a Cash Election
- **Or 0.5533** TPG shares and **\$3.77** in cash per iiNet share for those who have made a valid Share Election
- **Plus**, regardless of the Election made, a Discretionary Special Dividend, if declared, of up to 75 cents per iiNet share (depending on the amount of retained earnings at the time this Dividend is declared)
- **And**, where the Discretionary Special Dividend is less than 75 cents, a Top-Up Cash Payment for the shortfall.

Declaration and Payment of the Discretionary Special Dividend is subject to iiNet receiving a tax ruling from ATO in a form acceptable to iiNet and TPG. iiNet expects that it will receive that ruling.

### **IER and Directors' recommendation**

The Scheme Booklet, which was sent to all iiNet shareholders on or around 15 June, includes an Independent Expert's Report which concluded that the proposed Scheme is fair and reasonable and in the best interests of iiNet shareholders, in the absence of a superior proposal.

The iiNet Directors unanimously recommend that iiNet shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the Independent Expert maintaining its conclusion.

The Scheme Booklet outlines the reasons to vote in favour of or against the Scheme on page 14. I do not propose to read out those reasons, but will highlight that iiNet Directors intend to vote all of the iiNet shares held or controlled by them in favour of the Scheme, in the absence of a superior proposal.

No superior proposal has emerged as at the date of this Scheme Meeting.

### **Conditions**

The Scheme remains subject to a number of conditions, which are explained in detail in Section 11.2(a) of the Scheme Booklet. There has been no material change to the status of any of the conditions since the Scheme Booklet was issued.

As far as iiNet is aware, as at today's date no circumstances have occurred which will result in any of the conditions not being satisfied.

### **Requisite majorities**

In order for the Scheme Resolution to be passed by iiNet shareholders, the Corporations Act requires that it be approved on 2 bases:

- a majority in number of iiNet shareholders present and voting (either in person or by proxy); and
- at least 75% of the total number of votes cast on the Scheme Resolution.

### **Voting entitlement**

To ensure consistency between the iiNet shareholders entitled to make a Share Election and those entitled to vote on the Scheme Resolution, the "snap shot" date for determining voting entitlements for this Scheme Meeting was 5:00pm (Perth time) on 21 July, which was also the last time to make a Share Election.

iiNet shareholders will be entitled to one vote for each iiNet share they are registered as holding at 5:00pm (Perth time) on 21 July.

### **Timetable to implementation**

If the Scheme is approved by iiNet shareholders and by the Court, and the other Scheme conditions are either satisfied or waived, iiNet will become a subsidiary of TPG and an application will be made to delist iiNet shares from the ASX.

The Implementation Date, when the iiNet shares will be transferred to TPG and the Scheme consideration will be dispatched to iiNet shareholders, is expected to be Monday, 7 September.