



ASX Release

30 July 2010

Acquisition of the AAPT Consumer Division

Exit of Telecom New Zealand from the register

30 July 2010 – iiNet Limited (ASX: IIN) is pleased to announce that it has entered into a binding agreement, subject to iiNet shareholder approval, to acquire the AAPT Consumer Division from Telecom New Zealand (ASX: TEL). This has been accompanied by the completion of an underwritten block-trade to institutional and sophisticated investors of Telecom New Zealand's (TNZ) 18.2% shareholding in iiNet.

iiNet's Chief Executive Officer, Michael Malone said the acquisition strengthens the company's position as the clear leading challenger brand in the Australian telecommunications market.

Acquisition highlights

- Acquisition of approximately 113,000 broadband subscribers and over 251,000 other active services to bring iiNet's broadband subscribers to more than 652,000 and total active services to more than 1,326,000;
- EPS accretive in FY11;
- Expected post-synergies EBITDA of \$20m in first full year after acquisition in addition to the \$10m EBITDA expected contribution from NetSPACE in FY11;
- \$60m acquisition price represents 3x expected post-synergies EBITDA multiple;
- Approximately 25,000 subscribers expected to be migrated to iiNet's network;
- Consistent with iiNet's strategy to grow through consolidation;
- Extension of the existing Wholesale Agreement with AAPT;
- Acquisition to be 100% cash and debt funded, avoiding shareholder dilution; and
- Comfortable debt profile post acquisition.

Mr. Malone said that while it had only been a short time since the acquisition of NetSPACE, the AAPT Consumer Division represents a unique opportunity to acquire a subscriber base of scale in an increasingly consolidated market and to strengthen the five year old Alliance Agreement with PowerTel, now the wholesale division of AAPT.

Synergies are expected to be achieved from a rationalisation of marketing expenditure, on-net migration and cost rationalisation. The AAPT brand will not be acquired. Additional value will be derived through applying iiNet's strong brand and quality customer service to drive customer retention.



WINNER
Commitment to Customer
Service – Consumer
ACOMMS Communications
Alliance & CommsDay
Awards 2009



WINNER
Australian Service
Excellence Award,
WA Call Centre Manager
of the Year,
National Customer Service
CEO of the Year
Customer Service Institute
of Australia (CSIA)



WINNER
Carrier of the Year 2010
Best Broadband Service
(Fixed or Wireless),
Chief Executive of the Year
Australian Telecom
Awards 2009



The iiNet Board unanimously approved the transaction and recommends that all shareholders vote in favour of the acquisition at the shareholder meeting expected to be held in September. Amcom Telecommunications Limited and Perth Internet Pty Ltd (an entity associated with Michael Malone) have both advised iiNet that their intention is to vote in favour of the acquisition at the shareholder meeting, subject to there being no material adverse change to iiNet or the AAPT Consumer Division. Amcom Telecommunications Limited and Perth Internet Pty Ltd collectively own 34.2% of the outstanding iiNet shares.

The acquisition will be funded from cash on hand and from iiNet's debt facilities. Post acquisition, iiNet will retain its conservative gearing with a net debt to group pro-forma EBITDA ratio of less than 1 times.

Sale of Telecom's 27.6m iiNet shares

TNZ has entered into an underwritten block-trade agreement for their 18.2% stake in iiNet to institutional and sophisticated investors (27,621,091 shares held by PowerTel Limited, a wholly owned subsidiary of TNZ). This block trade is expected to significantly increase iiNet's free float.

"The relationship between iiNet and Telecom New Zealand has been very positive and we would like to thank Telecom New Zealand for their support during the term of their investment", Mr Malone said.

Shareholder Approval

Since Telecom New Zealand was a shareholder in iiNet, the acquisition of the AAPT Consumer Division is subject to iiNet shareholder approval. Lonergan Edwards & Associates has been appointed as Independent Expert and a notice of meeting and Independent Expert Report is expected to be distributed in August. The Extraordinary General Meeting to approve the acquisition is expected to be held in September. Shareholders who participated in the placement of TNZ's shareholding will be eligible to vote at the EGM. The acquisition is subject to customary regulatory approvals.

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About iiNet

iiNet was established in 1993 and listed on the ASX in 1999, growing from a small Perth business into the third largest Internet Service Provider in Australia. The company now supports around 900,000 broadband, telephony and dialup services nationwide, with revenues of over \$500m, and proudly employs over 1700 people in Perth, Sydney, Melbourne, Auckland and Cape Town.

iiNet's goal is to lead the market with the best internet access products and then differentiate with genuine, plain speaking customer service. The company has its own high speed ADSL2+ network reaching around 4million households across Australia; the largest Voice over IP network in the country; and is delighted to have led yet again with BoB™, winning 2009's *Product* category at the Western Australian Technology and Telecommunications Awards.

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