Competing Proposal for iiNet

27 April 2015

Geoff Horth, CEO

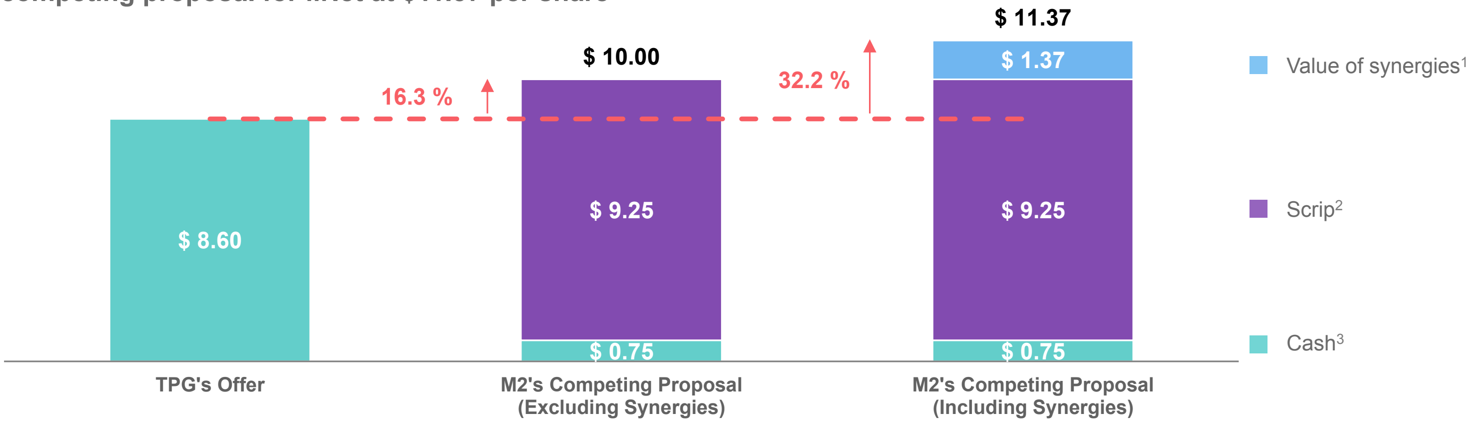
Summary of Competing Proposal

- Competing Proposal to acquire 100% of iiNet's fully-diluted shares outstanding for 0.803 M2 shares per iiNet share plus $0.75 cash per iiNet share, the cash portion being a special dividend payable to iiNet shareholders just prior to implementation of the proposed scheme, which will be franked to the maximum possible extent
    - iiNet shareholders would own 42% of the enlarged group and would therefore benefit from 42% of the synergies
- M2 values its competing proposal for iiNet at $11.37[1] per share (including the value of synergies), representing a premium of 32.2% when compared to TPG's current 100% cash offer of $8.60 per iiNet share (based on M2's closing price of $11.52 at 24 April)
    - Implies an Enterprise Valuation for iiNet of $2.25 billion and EV / 2014 EBITDA multiple of 11.4x[2]
- M2's offer also provides for the following additional benefits for iiNet shareholders:
    - CGT rollover relief, which depending on each individual shareholder's circumstances, should enable iiNet shareholders to defer a CGT event as compared to selling their shares under the 100% cash offer from TPG
    - Other expected benefits as compared to their current holding in iiNet from the increased index weighting, trading liquidity and institutional following as a result of the significantly increased market capitalisation of the enlarged M2 Group
- In addition, M2 intends to extend an offer to two iiNet directors to join the M2 board as non-executive directors of the enlarged M2 Group, upon implementation of the Competing Proposal
- To be completed via a Scheme of Arrangement that would be subject to conditions precedent that are the same as, or no less favourable to iiNet, than those set out in the existing SIA between iiNet and TPG (which do not include financing or due-diligence-related conditions precedent)

[1] Refer to slide 3 for detailed calculation
2 Based on iiNet net debt (including IRU liabilities) of $383m, 165m fully diluted shares outstanding, and CY2014 EBITDA of $197m

Valuation of Competing Proposal

- **Including the value of synergies, and based on M2's closing price of $11.52 per share on 24 April 2015, M2 values its competing proposal for iiNet at $11.37 per share**



- **M2 notes its 10-day volume weighted average price (VWAP) up to and including 24 April 2015 (being the 10 trading days since M2 announced the acquisition of Call Plus) is $11.34. Using an $11.34 valuation per M2 share would reduce M2's valuation of its Competing Proposal from $11.37 to $11.23 per iiNet Share (including synergies), and from $10.00 to $9.86 per iiNet Share (excluding synergies)**

[1] M2 has considered the potential synergies of combining M2 and iiNet, and M2 estimates it can achieve run-rate EBITDA synergies of approximately $60.0 million per annum, representing approximately 3.5% of M2 and iiNet's combined cost of good sold (COGS) and sales, general and administrative (SG&A) expenses. Based on a discounted cash flow (DCF) valuation methodology, M2 values these synergies at approximately $538m. This implies a value of $1.37 per iiNet share (being 42% of $538m, divided by 165m iiNet shares). M2 estimates the $60.0m of run-rate synergies would be realised in equal $20.0m increments over three years, with estimated one-time costs to achieve of approximately $30.0m, being $20.0m in the first year and $10.0m in the second year. M2's DCF valuation is based on a median broker nominal WACC of 10.0% and median broker terminal growth rate of 3.0%.
[2] Based on M2's closing price of $11.52 per share on 24 April 2015, and an exchange ratio of 0.803.
3 In the form of a special dividend that would be franked to the maximum extent possible and is subject to iiNet holding sufficient retained earnings.

Strategic Rationale

- Enhances M2's scale and combines complementary product and geographic portfolios
  - Creates an entity with more than $2.5 billion revenues[1] and more than $400 million EBITDA[1] (pre-synergies) with meaningful presence across both residential and business customer segments across Australia and New Zealand
- Significant synergy proposition
  - Estimated run-rate cost synergies of $60m p.a., with further revenue synergy potential
- Leads to value creation, improved financial profile and greater market relevance benefiting both M2 and iiNet shareholders
  - Significant value creation as a result of estimated synergies
  - Including Call Plus and iiNet, M2 would have net leverage of approximately 2.4x Net Debt / FY16 EBITDA[1]
  - Market capitalisation of the enlarged M2 Group will increase significantly, which will likely increase index weighting, trading liquidity and institutional following
- Continued strong dividend returns to shareholders
  - The M2 Board expects to continue paying dividends in future periods that are in line with current market expectations

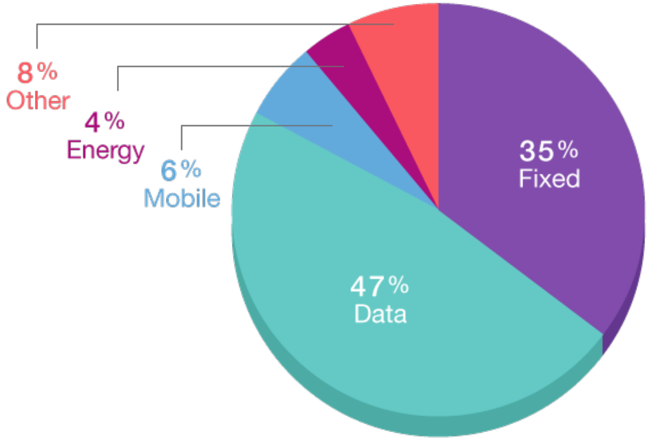
[1] Based on median FY16 broker consensus EBITDA estimates from Bloomberg for both iiNet and M2. Net debt includes IRU liabilities.

Indicative Profile of Combined Businesses

M2 GROUP

- 2nd largest fixed broadband service provider in Australia and 3rd largest in New Zealand
- Approximately 1.7 million broadband subscribers
- Approximately 4.0 million broadband, fixed voice, mobile, IPTV and energy services
- More than \$2.5 billion in revenue[2]
- More than \$400 million of EBITDA[2] (pre-synergies)

MergeCo Pro Forma Revenue by Product (FY14A)[1]



[1] Includes Call Plus and assumes that 'Fixed' includes iiNet's 'Telephony' revenue, 'Data' includes iiNet's 'Internet related services' revenue and 'Other' includes iiNet's 'Wholesale', 'Domains', 'Set-up and sale of hardware' and 'Other' revenues.

[2] Based on median FY16 broker consensus EBITDA estimates from Bloomberg for both iiNet and M2. Net debt includes IRU liabilities.

COMMANDER engin iPRIMUS dodo

Estimate of Potential Synergies

- Cost synergy estimate of $60 million p.a. on a run-rate basis, achieved over 3 years
  - Cost synergies comprising both network and non-network synergies
    - Cost of goods sold (COGS) synergies via comprehensive network optimisation program utilising the combined group assets and supplier relationships
    - SG&A synergies including billing systems, public company fees, premises and other SG&A
  - $60 million run-rate synergies represents approximately 3.5% of M2 and iiNet's combined cost of goods sold (COGS) and sales, general and administrative (SG&A) expenses
- One-off implementation costs to achieve cost synergies of $30 million, phased over 2 years
- Potential further upside from revenue synergies including the opportunity to offer iiNet branded energy products

Our Intentions for iiNet

- **M2 intends to operate iiNet as a standalone brand that would be nurtured and grown under the M2 umbrella**
  - M2 Board and management fully recognise the value of different brand strategies and intend to leverage the strength of the iiNet brand and its customer service ethos. M2 believes this is best achieved by maintaining dedicated sales and customer-facing support teams for the iiNet brand
  - M2 has a strong track record of acquiring and integrating assets including Commander, Primus, Engin and Dodo. In each of those cases, M2 has maintained the presence of each of those brands in their respective markets, has grown each brand's customer base and product offering, and has also extracted meaningful synergies
  - Two iiNet directors will be invited to join the M2 Board to give an important voice to iiNet's team members, customers and suppliers

Preliminary Views on Integrating Call Plus and iiNet

- **The integration of both Call Plus and iiNet can be achieved seamlessly**
- The integration of Call Plus is straightforward, particularly as the business will be operated as a standalone unit in New Zealand overseen by the existing management team under the leadership of current Call Plus CEO Mark Callander
  - Call Plus integration planning is already underway, with the Call Plus strategy and post completion structure expected to be substantially implemented before the closing of the iiNet transaction
- Integration planning for iiNet would be expected to occur over the next several months and plans confirmed prior to closing
  - iiNet's integration would be implemented over the course of FY16 if successful

Questions

Important Notice and Disclaimer

General: This document has been prepared by M2 Group Ltd ACN 091 575 021 (M2) (ASX; MTU) to provide general information on M2's proposed competing proposal for iiNet Limited ("iiNet"). This document (a) does not contain or summarise all information that an investor should consider when making an investment decision in relation to M2 Shares or any other financial products; and (b) contains information that may be subject to assumptions and qualifications the appropriateness of which may be subject to significant uncertainties and contingencies outside M2's control.

Reliance on information from iiNet: The information in this document relating to iiNet, and those parts of the information relating to the expanded M2 Group which relate to iiNet, has been prepared by M2 in reliance on information provided by iiNet to the market and to M2. To the maximum extent permitted by law, neither M2 nor iiNet assumes any responsibility for the accuracy or completeness of those parts of this document that may be derived from information supplied by iiNet, and iiNet does not assume any responsibility for the accuracy or completeness of the information in this document relating to M2 or those parts of the information relating to the expanded M2 Group which relate to M2.

No financial product advice: The information contained in this document is not financial product or investment advice nor a recommendation in respect of M2 Shares. This document has been prepared without taking into account the objectives, financial situation or needs of shareholders or other persons. Readers should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. M2 is not licensed to provide financial product advice in respect of M2 Shares or any other financial products. No cooling-off regime applies (whether by operation of law or otherwise) in relation to the acquisition of M2 Shares.

Risk of investment: An investment in M2 Shares is subject to investment, and other known and unknown risks, many of which are beyond M2's control, including the possible loss of income or capital invested. M2 does not guarantee or give any assurance about any particular rate of return or the performance of it, any of its subsidiaries or the expanded M2 Group nor does M2 guarantee or give any assurance about the repayment of capital from any investment or any particular tax treatment.

Important Notice and Disclaimer (Cont'd)

Forward looking statements: A forecast, estimate, projection or other prospective opinion in this document (Projection) may be based on information and assumptions supplied by a third party, reflect the author's judgment only at a specific date, is subject to change without notice, and is provided on the understanding that assumptions, on which Projections are based, may not be realised and that unanticipated events and circumstances may occur. Projections involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results or performance of M2 or the expanded M2 Group to be materially different from future results, performances or achievements expressed or implied by such Projections. Therefore, any Projections should be construed in light of such risks and undue reliance should not be placed on them.

Disclaimer: M2, its related bodies corporate and their respective directors, officers, employees, consultants, agents and advisers: (a) make no representation or warranty, express or implied, as to the accuracy, currency, reliability or completeness of the information in this document; (b) are under no responsibility or liability to update this document; and (c) to the extent permitted by law, is not responsible or liable in any way whatever for any claim, loss, damage, cost or expense whether direct, indirect, consequential or otherwise, arising (whether in negligence or otherwise) out of or in connection with this document, its context or any omissions from it. This document is not a prospectus or product disclosure statement and does not constitute, and under no circumstances is to be used or considered as, an offer of securities for issue or sale, an invitation to apply for the issue of securities, an invitation to offer to purchase securities, or an offer to underwrite securities or to provide finance. Recipients of this document are not clients of M2 nor of M2's financial advisers.

Financial data and rounding: All dollar values are in Australian dollars (A$) unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this document are subject to the effect of rounding.

Other: "FY" refers to Financial Year (year ended 30 June).

Goldman Sachs is acting as exclusive financial adviser to M2, and Allens is acting as legal adviser, in relation to this transaction.

GROUP

www.m2.com.au