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iiNet Limited
A.C.N. 068 628 937
Tel +61 8 9214 2222
Fax + 61 8 9221 8473
<http://www.iinet.net.au>

IINET LIMITED
ASX ANNOUNCEMENT: SALE OF IHUG
RELEASE DATE: 09 OCTOBER 2006

iiNet announces sale of New Zealand Business

Highlights

- iiNet has sold its New Zealand business “ihug” to Vodafone New Zealand
- The sale price of NZ\$41 million (AU \$36 million) is approximately A\$6 million over book value
- iiNet will retain its Auckland based call centre, employing approximately one hundred people

iiNet is pleased to announce the sale of 100% of the shares in its New Zealand subsidiary, ihug Ltd, to Vodafone New Zealand Ltd. The sale price of NZ\$41M (AU\$36 million), is approximately A\$6 million in excess of book value. It is expected that completion of the sale will occur within 2 weeks.

iiNet acquired the Australian and New Zealand operations of ihug in 2003, and announced in July that following a strategic review of the Group, a desire to focus on the core Australia business, as well as unsolicited offers being received for ihug following recent changes in the New Zealand regulatory environment, a process would commence for the sale of ihug in New Zealand.

“We expected the sale process to be complete this half,” said iiNet Chairman Mr Peter Harley. “We’re pleased that a fair price has been made by Vodafone, delivering a good, clean result for iiNet shareholders.”

The funds realized from the sale will be applied to a reduction of bank debt and for working capital to continue the expansion of the business in Australia.

“ihug staff are expected to be retained by the purchaser and will continue to grow the business,” said iiNet CEO Mr Michael Malone.

“It has been a pleasure to work with the ihug team over the past three years,” said Mr Malone. “I believe that we have transformed the ihug business during that time, leaving it in a strong position for customers, staff and the new owners.”

“iiNet will also retain its own Call Centre in Auckland, which employs approximately one hundred people. There is a five hour time difference between

Perth and Auckland, and a very similar operating environment, making it an excellent place for us to maintain a presence.”

“It will be a little sad to say goodbye to the ihug staff, but I’m delighted that the iiNet Call Centre team in Auckland will remain with us, and continue to be an important part of the iiNet story.”

For further information please contact:

Peter Harley
Executive Chairman
08 9214 2207
pharley@staff.iinet.net.au

Michael Malone
Managing Director
08 9214 2207
mmalone@iinet.net.au