



**iiNet Limited**  
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## **ASX Announcement**

1 May 2006

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

### **UPDATE ON SUSPENSION**

iiNet Limited (ASX: IIN) advises that its shares will remain suspended from ASX trading.

The Company's financial performance in the March quarter has been well below expectations. This situation was not identified earlier due to deficiencies in forecasting and clerical errors in revenue recognition that have only recently emerged. It has become clear, however, that expected EBITDA for the 2006 financial year will be significantly below the Company's guidance to the market.

The Company, in conjunction with its auditors Ernst & Young, is currently investigating the issues that have arisen. This work is well advanced and also involves a thorough analysis of the variances between the guidance and the actual financial results in the March quarter. These issues are material, but the underlying business remains strong.

Operationally, customer numbers and service delivery continue to track well. ADSL, VoIP and Telephony growth is higher than expected. Churn of fixed monthly dial up accounts and call centre performance have improved. The New Zealand business (iHug) is performing well and is expected to produce an EBITDA result for the full year above the level included in the guidance.

However, the Company believes it is prudent to remain suspended from trading until it is in a position to provide the market with an analysis of the performance to date and a revised guidance for the full financial year.

The Company currently expects to resume trading during the week commencing 8<sup>th</sup> May, 2006.

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