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INTRAPOW SELL PLATINUM LICENSE FOR \$1.5M CASH

IntraPower Limited (ASX:IPX), a leading national corporate telecommunications and Software as a Service (SaaS) provider has today announced the sale of a platinum license for \$1.5M to one of its channel partners, providing access to a group of non-core small corporate customers.

This deal provides further ability for the company to focus on its evolution to be the leading SaaS provider to SME's in Australia via its IntraPower Business On-Demand offering. This movement to SaaS is expected to be one of the leading trends for corporate customers over the next 5 years as they look to minimize their IT spend whilst increasing business efficiency and flexibility.

IntraPower has made a commitment to a channel based distribution that leverages the reach, local presence and customer intimacy that channel partners nationwide are able to offer the SME customer base. This model also improves the ability to capture a higher share of wallet from these customers.

The transfer of management of this group of small corporate customers to one of its major partners sends a clear signal to IntraPower's channel partners that the company is committed to a clear strategy that avoids any potential channel conflict. IntraPower views this as a critical success factor on the execution of its strategy. Approximately 30% of IntraPower's new revenue has traditionally come from channel partners and through the execution of its strategy this has now grown to just over 50%. The company is targeting to grow this to 80% in keeping with the growth opportunity in the SME segment in Australia.

Under the agreement

- The transfer of management of the customer base is effective as of 21st April 2009;
- IntraPower will continue to provide the wholesale communications and services to the customers as well as IntraPower Business On-Demand services where requested, thereby maintaining 75% of the revenue from the platinum user base;
- IntraPower's channel partner will provide account management and business development to the client base which it intends to grow moving forward;
- To drive sales growth, account management and services to the customer base, the Platinum Channel Partner, National Voice and Data Pty Ltd (NVD), will extend its current sales team by employing an additional 4 new full time employees; and

- IntraPower will continue billing and accounts receivable functions via its valuable proprietary technology,, “Visibility.X”, and will guarantee the channel partner a margin on the customer revenue.

Mr. Eric Constantinidis, MD of NVD commented that “We are very excited about the opportunity and the new agreement. It clearly reflects IntraPower’s commitment to a strong partner based approach that avoids channel conflict. This customer base has strong growth potential and we expect to capture an increased share of wallet from these customers by virtue of our existing diversified IT product and service offering combined with IntraPower’s investments in its networks, new products plans and Software as a Service strategy.”

The deal will provide \$1.5M plus GST to IntraPower with \$1.2M deposit payable immediately the balance paid on handover within 90 days. While it may result in a slight short term reduction of gross margin, the company believes this is a strategic measure that supports growth in the SME segment. The proceeds of this agreement will be used to convert an existing significant SaaS sales pipeline which delivers higher margins in a growing market.

Over the last 10 years, IntraPower has grown its network communications infrastructure which allows the company to develop and guarantee the delivery of essential communications via internet protocol. As the network became more commoditised, IntraPower invested in a new High Availability Network (HAN) that changes the market model for the delivery of reliable, high performance managed private networks.

IntraPower listed on the ASX in 2007 with the key objectives of:

- completing the IHAN;
- transitioning the business into delivering services which provide a high percentage of monthly recurring revenue

With the IHAN now scalable and substantially complete, IntraPower is building a significant sales pipeline focused on delivering hosted services to the SME market. The experience in moving to a hosted SaaS model indicates the largest portion of adopters are businesses above 50 employees in multiple locations as the Return on Investment (ROI) in moving to a full SaaS model rises considerably.

The shift in the SME sector towards outsourcing IT delivered “as-a-service” continues unabated with the current tight economic conditions and labour market exacerbating our value proposition to our customers. IntraPower is ideally positioned to continue to take advantage of this trend with our multi-carrier, high availability network that allows the company to host critical business applications from our secure data centres and deliver them securely and reliably to our customer as a single source provider.

Unlike other providers in Australia, IntraPower will provide all facets of the service suite: the communication network as well as the software and business services which will then be hosted for corporate clients- one provider instead of three.

The move to Business On-Demand Services is anticipated to increase our customer's monthly spend as our current addressable market grows eight fold to \$5.6B, (as confirmed by key market trends and research such as Gartner).

3 of Gartner's Top 10 Trends relate to On-Demand Services

- **A third of all software purchased will be by subscription** - With software as service (SaaS), the user organization pays for software services in proportion to use.
- **Half of business travellers won't take their laptops** - Server and Web-based applications that can be accessed from anywhere. A new class of applications: portable personality that encapsulates a user's preferred work environment,
- **Many new businesses will buy IT infrastructure as a service** - Early technology adopters will forgo capital expenditures and instead purchase 40 per cent of their IT infrastructure as a service. Increased high-speed bandwidth makes it practical to locate infrastructure at other sites and still receive the same response times.

Managing Director, Mr Greg Kennish commented that: "To continue to grow trust with our channel partners and execute on a successful channel strategy we need to be clear on where we sell direct and where we sell through our channel. We must avoid any channel conflict that has caused so many other companies to fail in these efforts. We must fully focus on the Enterprise segments and engage with SME customers only through our trusted and professional channel partners who in turn will reward us by growing our joint share of wallet with this customer base. In addition, we must focus on the delivery of professional enterprise grade network solutions and continue our investment in bringing unique Software as a Service solutions to the market that leverages the growth in the cloud computing arena. Our networking infrastructure build is almost complete and will offer a fundamental change to the way that organizations leverage Private IP networks. We are continuing in the preparation of our Software as a Service offering and have already built a strong customer base in this arena by virtue of acquisitions and new product developments. As these projects reach completion, products and services will be announced that will put IntraPower in poll position to take advantage of the growth in the cloud computing arena. The advantage of this strategy is that it will offer customers the opportunity to lower operating costs, virtually eliminate IT and Voice based capital expenditure and focus resources on their core business – a strong proposition that supports sustainability and growth in the current economic environment."

About Intrapower Limited

Intrapower is an innovative provider of IP networks and services for medium sized corporate customers which are managed over its proprietary technology system called Visibility.X. Increasingly, its customers are demanding hosted software and services which delivers powerful, Enterprise class IT solutions and true Infrastructure as a Service, reducing risk, fixing costs and providing business with a clear and simple, outsourced IT strategy.

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