



iiNet Limited
Tel +61 8 9214 2222
<http://www.iinet.net.au>

A.C.N. 068 628 937
Fax + 61 8 9214 2211

iiNet Acquires Internet Service Provision Business

iiNet Expands Customer Base to Over 400,000 subscribers

20 September, 2004 – iiNet Limited (ASX: IIN), today announced it has entered into a conditional agreement to acquire the Internet service component operated by Virtual Communities Limited, a Melbourne-based retailer of bundled home computer and Internet services packages.

The acquisition of the Internet service component will add 50,000 dial-up subscribers and approximately 2,500 broadband residential and business customers to iiNet's customer base, expanding iiNet's presence in Victoria, NSW and Queensland, and increasing the company's total customer base to more than 400,000.

"iiNet has expanded its business substantially through leading products, a reputation for excellent customer service, and carefully considered acquisitions," said Michael Malone, Managing Director of iiNet. "We have been in discussion with Virtual Communities for several months now and this is a great outcome for all involved."

The purchase price for the subscriber base is comparable to iiNet's previously acquired Australian customer bases. The consideration is 100 percent cash and will be funded by iiNet's existing financing facilities. As with previous acquisitions, it will take approximately six to seven months for Virtual Communities to be fully transitioned onto the iiNet network and delivering earnings comparable to the rest of the iiNet business.

"Our primary objective now is to ensure that the transition is as seamless as possible for customers and employees," said Mr Malone. "Customer and employee retention is our top priority, and we have planned a very careful, low impact transition to occur over the next six to seven months."

iiNet will offer employment to the Internet services employees of Virtual Communities and continue operation of the customer support centre in Melbourne, where these employees are located.

iiNet continues to invest in new products and services offering new and existing customers a range of communication solutions from dial-up, to 1500 kbps broadband services and bundled phone services.

About iiNet

iiNet is one of Australia's Internet service pioneers, having begun in Western Australia in 1993. At June 30, 2004, iiNet was the fourth largest Internet Service Provider in Australia, with approximately 353,000 customers across Australia and New Zealand, of which about 60,000 are DSL subscribers. iiNet has built a reputation for providing innovative, quality and value Internet products, and friendly 24-hour customer service and support. For more information on iiNet, please visit www.iinet.net.au or call 131917.

CONTACTS

Michael Malone
MANAGING DIRECTOR
Phone: +61 8 9214 2207
mmalone@iinet.net.au

Clayton Hollingsworth
CHIEF FINANCIAL OFFICER
Phone: +61 8 9214 2282
claytonh@iinet.net.au