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IINET TO ACQUIRE WESTNET

iiNet to Consolidate its Position as Australia's Third Largest ISP

Perth, Australia – iiNet Limited (ASX: IIN) today announced the signing of an agreement with the owners of Westnet Pty Ltd ("Westnet") to acquire the entire issued capital of Westnet for \$81million to be satisfied by a cash payment to the owners. iiNet will retain the Westnet brand and staff. The sale is expected to be completed by the end of the month.

In order to fund the acquisition, iiNet raised \$41 million by way of a placement of 25.6 million ordinary shares in the Company at \$1.60 per share to institutional and sophisticated investor clients of Euroz Securities Limited. The remainder of the acquisition price is funded via a combination of cash and debt. The acquisition will not limit iiNet's ability to pay future dividends.

The acquisition of Westnet, Australia's sixth largest internet service provider ("ISP") and one of the last significant subscriber bases on the market, reinforces iiNet's position as the third largest ISP in Australia and a serious competitor to the nation's biggest telecommunications companies. With Westnet's 215,000 active services, including 138,000 broadband users, iiNet's total number of active services will grow to over 680,000, including over 470,000 dialup and broadband subscribers.

Westnet has grown nationally via a strong national reseller network and industry leading customer service levels with particular strength in regional areas. Like iiNet, Westnet is particularly strong in Western Australia. The combined subscriber bases will give iiNet a market share of over 30% in the state.

"This transaction brings together two of Australia's best loved ISP brands," said Michael Malone, Managing Director of iiNet. "Both Westnet and iiNet have always focused on genuine plain speaking customer service, seeing that as the only really sustainable differentiator in our business. Westnet has consistently set the benchmark for service in our industry, and I look forward to learning how we can improve iiNet's service even further. iiNet brings a good history of innovative products and technology, which we also expect to be able to share with the Westnet team."

Managing Director of Westnet, Peter Brown, said "Westnet has worked very hard over a long period of time to build its reputation of award winning customer service. This opportunity allows the company to continue that same level of customer service and also offer many new products to our agents and customers. As all staff, including senior management, are staying on, we see little change in our operations and

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consider this as a great opportunity for both our customers and staff. We look forward to the future with confidence that we can provide a unique service to our customers from both ISPs."

Westnet will continue as a separate operating entity. Westnet's management and brand, which is synonymous with industry best customer service, will be retained whilst the Company intends to capitalise on the opportunities that this acquisition offers. Existing products will continue to be marketed under the Westnet brand and supported by the Westnet team.

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