



NEW ZEALAND AND NEW MARKETS UPDATE

New Zealand Network Roll Out

The Company is approximately 50% through its roll-out of 69 Company owned second generation Hotspot Webphones in Westfield and AMP shopping centres in New Zealand.

There has been an immediate and very encouraging take up of the Webphone service by the public with 75% of the network already exceeding our customer usage expectations.

Customer usage for the week ending 24 December 2009 on 27 installed Webphones not including Wifi was;

7,737 customer sessions (average 287 per Webphone) consisting of;

- o 169,368 page impressions (6,273 per Webphone)
- o 4,889 internet customer sessions (181 per Webphone)
- o 2,807 phone calls (104 per Webphone)
- o 947 internet banking transactions (19% of internet customer sessions)

The Company continues to see increased customer usage as more customers become familiar with the Webphone's functions and as Telecom New Zealand's old style payphones are taken out.

Particularly strong customer usage has been shown for banking services. The Company believes this strong customer usage is due to the flexible configuration of the Webphones. Customers are being offered free internet access to one bank's website (chosen randomly by PIE) via touch sensitive "short cut buttons" at the bottom of the Webphone's screen with access to all other bank's websites requiring payment.

During December, there were over 6,400 visits to the bank's website initiated through the shortcut button on the Webphones. 1,485 of these proceeded to an internet banking transaction. The next most popular banking website (not accessed via the shortcut button but during an internet session paid for by the customer) had 347 internet banking transactions.

The Company is in discussions with a number of parties with a view to delivering their services and content on the Company's New Zealand Webphone network using the free access shortcut buttons and other capabilities of the Webphones.

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New Markets

The Company continues to receive expressions of interest for its Hotspot Webphone product from within Australia and overseas.

A demonstration Hotspot Webphone has been sent to South Africa and another is destined for Mexico, both for potentially large scale roll outs.

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