



TELECOM NEW ZEALAND TRIAL UPDATE

pieNETWORKS has been trialling 6 of its new Webphones in New Zealand since March last year and given the success of that trial has been in detailed discussions with Telecom New Zealand for the past 7 months concerning a commercial roll out of the product and the establishment of a pieNETWORKS owned Webphone network in New Zealand.

pieNETWORKS' proposal involved acquiring a large number of payphone sites from Telecom New Zealand and replacing them with a rebranded webphone owned and operated by pieNETWORKS.

pieNETWORKS has now been advised that Telecom New Zealand does not intend to take the Webphone opportunity any further.

Telecom New Zealand explained that they did not wish to outsource the relationship they have with their customers and that if a webphone-type device is the logical evolution of their payphone network then they would wish to develop and deploy that network themselves and not outsource it to a third party.

Although this is a very disappointing outcome for pieNETWORKS, in many ways it only reinforces the belief of the pieNETWORKS board and management team that the webphone product provides a clever and potentially very profitable solution to the declining revenues being experienced globally by traditional payphone businesses.

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About pieNETWORKS Ltd

pieNETWORKS develops and operates managed public internet access and VoIP telephony infrastructure. The company's customers include telcos, government and large and medium size businesses. pieNETWORKS is listed on the Australian Stock Exchange (ASX:PIE).

More information can be found at www.pienetworks.com