



NEW ZEALAND HEADS OF AGREEMENT

pieNETWORKS Ltd is pleased to announce that it has signed a Heads of Agreement with a large New Zealand company for the installation of 50 of its new second generation Webphones in centres throughout New Zealand.

Under the terms of the Heads of Agreement, it is expected that Pie and the New Zealand company will enter into formal site licensing arrangements in advance of first Webphone installation in the first quarter of 2009.

Pie's first generation Webphone Trial in New Zealand derives income from two principle sources: from the public accessing the internet and from the public making phone calls.

Over the 11 months to the end of September 2008 revenue from the first generation trial Webphones in New Zealand has increased by 70%.

This extrapolates to a capital payback period approaching 18 months and is achieved from only the trial Webphone's 'utility' revenues.

Additional sources of income such as mobile phone top ups and sponsored services will increase this revenue. With the increasing use of 3G networks for mobile phones, PIE's Webphones will also act as signal enhancers as mobile phone users demand, and phone carriers seek, better indoor reception. Far from competing with personal devices like the mobile phone, the relevance of the Webphone is only enhanced by the inexorable growth of the internet and personal devices.

The first production test units of the second generation Webphone have been built (see picture below). The Company is planning its initial production run in the first quarter of 2009.

The second generation Webphone is more user friendly, has more functionality and has substantially better manufacturing scale economies than its predecessor.

For more information please contact:

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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