

Market Announcement

1 December 2010

Zintel Group narrows trading loss and looks to profitable growth

Zintel Group (NZAX:ZIN) today announced its half year result to 30 September 2010 with an increase in revenue to \$28.348m and a significantly reduced net loss before tax of \$39,000, compared with a loss of \$808,000 for the prior six month period ended 31 March 2010.

“We are very pleased with the progress made during this period of growth and investment, and our internal forecasts anticipate the Group will trade at a modest profit in the 2nd half year to 31 March 2011,” said Chairman Nick Gordon. “Zintel acquired the loss making business of Cogent Communications on 1st October 2009, and consequently Zintel Group experienced an \$808k loss in the first six months trading, which we have essentially reduced to breakeven before tax in the second six month period. A profit in the third six months to 31 March 2011 will demonstrate successful growth moving forward.”

Zintel has embarked upon three growth initiatives; first the acquisition of Cogent Communications, which has now largely been integrated; secondly the distribution of Hypercom EFTPOS terminals which is entering a boom period in the terminal replacement cycle; and thirdly the introduction of an MVNO (mobile offering). The Company is successfully implementing this major growth phase and will consider further acquisitions in the future.

The six months in review to 30 September 2010 has still been a period of integration and investment in systems and people. Zintel Cogent is on a customer and revenue drive, employing a number of additional sales people to grow and achieve future profitability in the new entity. New systems have been implemented including software for service delivery, handheld devices, computer hardware and licences. The Board firmly believes Cogent was the right acquisition from the perspective of both the purchase price and the fit.

With regard to Zintel Payments, still some 45,000 EFTPOS terminals throughout New Zealand have to be replaced by mid 2011. Our Hypercom market share is growing on a monthly basis although retailers have been slow to respond to the new security requirements which will nevertheless be enforced well prior to the rugby world cup next year. Thus this business has a very good opportunity in the immediate future and is currently experiencing a strong increase in sales revenue.

The MVNO allows Zintel Cogent to provide mobile phones on its own rate plans and billing platform. Development has been complex to enable full functionality for all call types, texts, data and roaming calls etc to be reconciled and billed correctly with meaningful reporting information to our end customers. The product offering is now implemented and has been successfully “soft launched” and is working well. In the near future this will continue to be a negative cost investment, but strategically important to offer Zintel Cogent customers this additional service.

Segmented results show Zintel Payments having achieved a maiden profit for the six months to 30 September 2010, although this business has not yet recouped start up costs and trading losses in its first year. Zintel Communications Pty in Australia is trading profitably whilst also investing in capex for new computer and software systems and budgeting to increase staff numbers based in Sydney.

Zintel previously announced a recruitment search was underway for the GM role in New Zealand. This has now been intentionally delayed by six months as there is much change with investment and growth, without introducing further change with a new leader. Accordingly Johan Scholtz, GM of Australia is currently also acting GM New Zealand and is splitting his time between countries. This is working well for the immediate future and Johan is recruiting and building a strong team of executive management including National Sales Manager, Technical Services Manager and Marketing Manager.

Net assets have remained stable at \$10.546m, since 31 March 2010, with cash in bank reducing to \$3.9m as at 30 September 2010 due to capital expense, negative trading profit and working capital requirements. As an example, we hold considerable inventory of EFTPOS terminals for the replacement program which is running behind schedule, but gaining momentum. Whilst some systems and vehicles have been leased rather than outright purchased, the Group continues to operate without any bank debt or overdraft. In order to retain sufficient cash for continued growth, and as trading for the first half year incurred a small loss, the Directors have not declared an interim dividend. The dividend policy remains unchanged and provided forecasts go to plan during the balance of the financial year, the Board would consider paying a dividend at year end.

Despite challenging trading conditions, Zintel Group is now in an enviable position in the Telecommunications sector, offering our customers a wide range of products and services including telephony hardware and software and customer service that excels. The Group is now focussed on realising its potential through integration, innovation and investment to realise growth for many years to come.

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About Zintel Group limited

Established in 1995 and listed on the NZAX, Zintel Group Limited provides a broad range of business telecommunication solutions to companies across New Zealand and Australia. The Group comprises of three businesses - Zintel Cogent, Zintel Payments and Zintel Communications in Australia. Zintel Cogent provides innovative telecommunications solutions, including business phone systems, contact centre solutions, Toll free and voice services - through to network infrastructure and structured cabling. Zintel Payments is the exclusive New Zealand importer and distributor for Hypercom EFTPOS terminals. Zintel Communications Pty is Australia's Toll free specialist and provides a range of competitive business telecommunication services. Zintel Group has over 200 employees operating across New Zealand and Australia.

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