

IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the consent solicitation memorandum (the "**Consent Solicitation Memorandum**") following this page, and you are therefore required to read this disclaimer carefully before reading or making any other use of the Consent Solicitation Memorandum. By accessing the Consent Solicitation Memorandum, you shall be deemed (in addition to giving the representations below) to agree to be bound by all of the following terms and conditions, including any modifications to them, any time you receive any information from Citigroup Global Markets Limited (the "**Dealer Manager**") or Citibank, N.A. (the "**Tabulation Agent**") as a result of such acceptance and access.

The Consent Solicitation Memorandum contains important information which should be read carefully before any decision is made in respect of the Consent Solicitations, each as more fully described herein. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser. Any individual or company whose Existing Notes (as defined below) are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if they wish to participate in the Consent Solicitations described in the Consent Solicitation Memorandum. None of TCNZ Finance Limited (acting through its applicable branch) (the "**Issuer**"), Telecom Corporation of New Zealand Limited, Telecom Investments Limited, Telecom New Zealand Limited, Telecom Pacific Limited, Telecom Leasing Limited, Telecom Mobile Limited and TCNZ Australia Investments Pty Limited (together the "**Guarantors**" and each a "**Guarantor**"), the Dealer Manager, The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**") in respect of the Existing Notes or the Tabulation Agent makes any recommendation as to whether or how holders of the Existing Notes ("**Noteholders**") should act in respect of the Consent Solicitations.

THE FOLLOWING CONSENT SOLICITATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS CONSENT SOLICITATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTION MAY RESULT IN A VIOLATION OF APPLICABLE LAW OF OTHER JURISDICTIONS. THE DISTRIBUTION OF THE CONSENT SOLICITATION MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THE CONSENT SOLICITATION MEMORANDUM COMES ARE REQUIRED BY THE ISSUER, THE GUARANTORS AND THE DEALER MANAGER TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

Confirmation of your Representation: This Consent Solicitation Memorandum was sent at your request and, by accessing the Consent Solicitation Memorandum, you shall be deemed (in addition to the above) to have represented to the Issuer, the Guarantors, the Trustee and the Tabulation Agent, and any person who controls any of them and any of their respective directors, officers, employees, agents and affiliates, that:

- (i) you are a holder or beneficial owner of the GBP 150,000,000 5.75 per cent. Notes due 2020 (the "**Existing 2020 Notes**") and/or the GBP 125,000,000 5.625 per cent. Notes due 2018 (the "**Existing 2018 Notes**", and together with the Existing 2020 Notes, the "**Existing Notes**"); and
- (ii) you consent to delivery of the Consent Solicitation Memorandum by electronic transmission.

You are otherwise reminded that the Consent Solicitation Memorandum has been delivered to you on the basis that you are a person into whose possession the Consent Solicitation Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located or resident and you may not, nor are you authorised to, deliver the Consent Solicitation Memorandum to any other person.

The Consent Solicitation Memorandum has been sent to you in an electronic form. You are reminded that material transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Dealer Manager, the Trustee, the Tabulation Agent, the Issuer, the Guarantors or any person who controls any of them nor any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Consent Solicitation Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Dealer Manager and the Tabulation Agent that can be attributed to the process of electronic transmission.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The distribution of this Consent Solicitation Memorandum in certain jurisdictions may be restricted by law and persons into whose possession this Consent Solicitation Memorandum comes are required to inform themselves about, and to observe, any such restrictions.

Consent Solicitation by

TCNZ Finance Limited
acting through its Australian branch in relation to the Existing 2018 Notes
and through its Bermudan branch in relation to the Existing 2020 Notes
(the "Issuer")

to the Noteholders of the

GBP 125,000,000 5.625 per cent. Notes due 2018
issued by the Issuer acting through its Australian branch
(ISIN: XS0168222056)
(the "Existing 2018 Notes")

and to the Noteholders of the

GBP 150,000,000 5.75 per cent. Notes due 2020
issued by the Issuer acting through its Bermudan branch
(ISIN: XS0216258177)
(the "Existing 2020 Notes")

The Issuer is soliciting consents (the "**Consent Solicitations**") from the holders of the Existing 2018 Notes and the Existing 2020 Notes to pass, at a separate meeting of the holders of each such Series of Existing Notes (or any adjourned such meeting (the "**Meeting**")), an Extraordinary Resolution (the "**Extraordinary Resolution**") sanctioning the waiver of any Event of Default (as defined in the terms and conditions of each Series of Existing Notes) which may arise as a result of the proposed Demerger (as defined in the notice of Extraordinary Resolution) annexed to this Consent Solicitation Memorandum.

Existing Notes	ISIN	Early Voting Fee
GBP 125,000,000 5.625 per cent. Notes due 2018 (the " Existing 2018 Notes ")	XS0168222056	GBP 5.00 per GBP 1,000 in aggregate principal amount
GBP 150,000,000 5.75 per cent. Notes due 2020 (the " Existing 2020 Notes ")	XS0216258177	GBP 5.00 per GBP 1,000 in aggregate principal amount

Concurrently, the Issuer has invited certain eligible holders of the Existing 2018 Notes and the Existing 2020 Notes to vote in favour of the Extraordinary Resolutions and to participate in an offer to exchange the Existing Notes for new notes to be issued by Chorus Limited under the terms of an exchange offer memorandum dated 31 August 2011 (the "**Exchange Offer**" and, together with this consent solicitation, the "**Proposals**").

Existing 2018 Noteholders and Existing 2020 Noteholders will, subject to the delivery of a valid Early Voting Instruction (as defined herein) in favour of the relevant Extraordinary Resolution prior to the Early Submission Deadline and subject to satisfaction of the Consent Transaction Conditions (as described herein), be entitled to receive the relevant Early Voting Fee for each GBP 1,000 in principal amount of such Existing 2018 Notes or Existing 2020 Notes (as applicable) in respect of which such Early Voting Instruction is given.

Noteholders who do not wish to submit an Early Voting Instruction may alternatively make arrangements to attend or be represented at the Meeting by following the procedures set out in the Notice of Meeting. Such holders will not however be eligible to receive the Early Voting Fee.

If the Extraordinary Resolution is passed at the Meeting of holders of Existing Notes of a particular Series, each holder of the relevant Series of Existing Notes will be bound by the Extraordinary Resolution, notwithstanding that such Existing Noteholder may not have been present or represented at the Meeting and/or may not have voted in respect of, or in favour of, the relevant Extraordinary Resolution.

The payment of the relevant Early Voting Fee is subject to satisfaction of certain conditions as described under "Transaction Conditions" below.

EACH OF THE CONSENT SOLICITATIONS WILL EXPIRE AT 11.00 A.M. (LONDON TIME) ON 20 SEPTEMBER 2011 (THE "EXPIRATION DEADLINE") AND THE EARLY SUBMISSION DEADLINE WILL BE 4.00 P.M. (LONDON TIME) ON 9 SEPTEMBER 2011 UNLESS EXTENDED, RE-OPENED OR

TERMINATED AS PROVIDED IN THIS CONSENT SOLICITATION MEMORANDUM. THE DEADLINES SET BY ANY CUSTODIAN, INTERMEDIARY OR CLEARING SYSTEM MAY BE EARLIER THAN THESE DEADLINES.

Subject to applicable law and as provided in this Consent Solicitation Memorandum, the Issuer may, in its sole discretion, extend, re-open, amend, waive any condition of the Consent Solicitations, or amend or withdraw the applicable Early Voting Fee, at any time. Details of any such extension, re-opening, amendment or termination will be announced as provided in this Consent Solicitation Memorandum as soon as reasonably practicable after the relevant decision is made.

Questions and requests for assistance in connection with (i) the Consent Solicitations may be directed to the Dealer Manager, and (ii) the delivery of Instructions (as defined herein) may be directed to the Tabulation Agent, the contact details for whom are on the last page of this Consent Solicitation Memorandum.

Before making a decision with respect to the Consent Solicitations, Noteholders should carefully consider all of the information in this Consent Solicitation Memorandum and, in particular, the risk factors described in "*Risk Factors and Other Considerations*".

Dealer Manager

CITIGROUP

This Consent Solicitation Memorandum is dated 31 August 2011

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GENERAL INFORMATION

This Consent Solicitation Memorandum contains important information which should be read carefully before any decision is made with respect to the Consent Solicitations. If any Noteholder is in any doubt as to the action it should take, it is recommended to seek independent financial and legal advice, including in respect of any tax consequences, immediately from its stockbroker, bank manager, solicitor, accountant or other independent financial or legal adviser. Any individual or company whose Existing Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to deliver a Voting Instruction in respect of the Consent Solicitations.

Each holder of Existing Notes (a "**Noteholder**") is solely responsible for making its own independent appraisal of all matters (including those relating to the Consent Solicitations, this Consent Solicitation Memorandum) as such Noteholder deems appropriate in determining whether to vote in favour of the proposed Extraordinary Resolutions in respect of the Existing Notes.

The Issuer and the Guarantors accept responsibility for the information contained in this Consent Solicitation Memorandum. To the best of the knowledge of the Issuer and the Guarantors (having taken all reasonable care to ensure that such is the case) the information contained in this Consent Solicitation Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

None of the Dealer Manager, the Issuer, the Guarantors, the Trustee or the Tabulation Agent (or their respective directors, employees or affiliates) makes any representation or recommendation whatsoever regarding this Consent Solicitation Memorandum, the Consent Solicitations, or any recommendation as to whether Noteholders should participate in the Consent Solicitations. The Tabulation Agent and the Dealer Manager are agents of the Issuer and owe no duty to Noteholders.

The delivery of this Consent Solicitation Memorandum shall not, under any circumstances, create any implication that the information contained in this Consent Solicitation Memorandum is current as of any time subsequent to the date of such information or that there has been no change in the information set out in it or in the affairs of the Issuer or the Guarantors since the date of this Consent Solicitation Memorandum.

No person has been authorised to give any information or to make any representation about the Issuer, the Guarantors or, the Consent Solicitations other than those contained in this Consent Solicitation Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors, the Dealer Manager, the Tabulation Agent, the Trustee or any of their respective agents or affiliates.

Capitalised terms used in this Consent Solicitation Memorandum have the meaning given in "*Definitions*" and any other definitions of such terms are for ease of reference only and shall not affect their interpretation.

Unless the context otherwise requires, all references in this Consent Solicitation Memorandum to "**Noteholders**" or "**holders of Existing Notes**" include:

- (a) each person who is, at the relevant time, shown in the records of Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**" and, together with Euroclear, the "**Clearing Systems**" and each a "**Clearing System**") as a holder of Existing Notes (also referred to as "**Direct Participants**" and each a "**Direct Participant**"); and
- (b) each beneficial owner of Existing Notes holding such Existing Notes, directly or indirectly, in an account in the name of a Direct Participant acting on such beneficial owner's behalf,

except that for the purposes of the payment of the relevant Early Voting Fee, to the extent that the beneficial owner of the relevant Existing Notes is not a Direct Participant, the Early Voting Fee will only be delivered or paid to the relevant Direct Participant and the payment of the Early Voting Fee to such Direct Participant will satisfy any obligations of the Issuer, the Tabulation Agent and the relevant Clearing System in respect of the Early Voting Fee.

All references in this Consent Solicitation Memorandum to "**GBP**" or "**£**" are all references to pounds sterling.

All references in this Consent Solicitation Memorandum to times are to London time, unless otherwise specified.

As used in this Consent Solicitation Memorandum, "**Business Day**" means any day (other than a Saturday, Sunday, or a public holiday) on which commercial banks and foreign exchange markets are open for business in London.

Neither the Trustee, nor any of its directors, officers, employees or affiliates expresses any opinion on the merits of, or makes any representation or recommendation whatsoever regarding, the Consent Solicitations or makes any recommendation whether Noteholders should vote in favour of the relevant Extraordinary Resolutions. The Trustee has not reviewed or approved, nor will it be reviewing or approving, any documents relating to the Consent Solicitations, except those to which it is a party and the Notice of Meeting. Neither the Trustee, nor any of its directors, officers, employees or affiliates has verified, or assumes any responsibility for the accuracy or completeness of, any of the information concerning the Consent Solicitations, or the factual statements contained in, or the effect or effectiveness of, this Consent Solicitation Memorandum or any other documents referred to in this Consent Solicitation Memorandum or assumes any responsibility for any failure by the Issuer or the Guarantors to disclose events that may have occurred and may affect the significance or accuracy of such information or the terms of any amendment (if any) to the Consent Solicitations. The Trustee has, however, authorised it to be stated that, on the basis of the information contained in this Consent Solicitation Memorandum, it has no objection to the Extraordinary Resolutions, as set out in the Notice of Meeting, being put to holders of the relevant Series of Existing Notes for their consideration.

Noteholders who do not vote in respect of the Extraordinary Resolution will continue to hold their Notes subject to the terms and conditions of such Notes (and if the Extraordinary Resolution is passed in respect of the Notes, subject to the waiver of any Event of Default arising in connection with the proposed Demerger).

This Consent Solicitation Memorandum does not constitute an offer or an invitation to participate in the Consent Solicitations in any jurisdiction in or from which, or to or from any person to or from whom, it is unlawful to make such offer or invitation under applicable securities laws. The distribution of this Consent Solicitation Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Consent Solicitation Memorandum comes are required by each of the Issuer, the Guarantors, the Dealer Manager and the Tabulation Agent to inform themselves about, and to observe, any such restrictions. No action has been or will be taken in any jurisdiction by the Issuer, the Guarantors, the Dealer Manager or the Tabulation Agent in relation to the Consent Solicitations that would permit a public offering of securities.

The communication of this Consent Solicitation Memorandum and any other offer memoranda, documents or materials relating to the Consent Solicitations is not being made and such offer memoranda, documents and/or materials have not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such offer memoranda, documents and/or materials are not being distributed and must not be communicated except in circumstances in which Section 21(1) of the FSMA does not apply in the United Kingdom.

Each holder of Notes delivering an Early Voting Instruction will be deemed to give certain representations as set out in "*Procedures in relation to the Meeting*". Each of the Issuer, the Guarantors, the Dealer Manager and the Tabulation Agent reserves the right, in its absolute discretion, to investigate whether any such representation given by a Noteholder is correct.

BACKGROUND TO THE CONSENT SOLICITATIONS

Telecom Corporation of New Zealand Limited ("**Telecom**"), which is a holding company, operates, through multiple subsidiaries, five business segments: (i) the Chorus business, which operates Telecom's fixed line access network in New Zealand (the "**Chorus Business**"); (ii) the Wholesale & International businesses, pursuant to which the Wholesale business provides broadband, backhaul, business data, voice, interconnection and mobile products to service providers throughout New Zealand (the "**Wholesale Business**"), and the International business provides voice, data and mobile services and solutions within New Zealand and internationally (the "**International Business**"); (iii) the Retail business, which provides mass market products, services and support to consumer and business customers (the "**Retail Business**"); (iv) the Gen-i business, which provides information and communications technology (ICT) solutions for clients across New Zealand and Australia (the "**Gen-i Business**"); and (v) the AAPT business, which is a telecommunications service provider that owns and operates its own national voice and data network in Australia (the "**AAPT Business**").

"**New Telecom**" is used to describe the continuing business of Telecom, a business that will continue and own and operate the majority of the assets of Telecom that existed prior to the Demerger of New Chorus. There will be no change in the obligor or guarantors of the Existing Notes which remain outstanding after completion of the Exchange Offer.

Chorus Business and the Demerger

The Chorus Business is a division of Telecom New Zealand Limited ("**TNZL**"), a New Zealand limited company, which is a wholly-owned subsidiary of Telecom and Telecom's primary operating subsidiary. The Chorus Business operates Telecom's fixed line access network in New Zealand, which is made up of local telephone exchanges and copper and fibre cables. A number of telecommunications service providers use this network to deliver phone and internet services to New Zealand customers.

In March 2009, the New Zealand Government ("**Government**") announced its Ultra Fast Broadband ("**UFB**") initiative (the "**UFB Initiative**"). The essence of the UFB Initiative is to create partnerships between Government and private investors to deploy fibre network infrastructure. The aim is to enable 75% of New Zealanders to be able to access UFB by 31 December 2019. Premises relating to businesses (excluding home offices), schools, hospitals and health service providers will be prioritised.

Crown Fibre Holdings ("**CFH**") was established by the Government as the entity to manage the Government's investment in the UFB Initiative and the vehicle for investing approximately NZ\$1.35 billion of Government funds. The Government's intention was for CFH to establish local fibre companies ("**LFCs**") that consisted of partnerships between CFH and private sector companies to deliver effective roll out of UFB in each of the 33 UFB candidate areas covered by the UFB Initiative. A key requirement of the UFB Initiative is that private sector partners with retail telecommunications businesses cannot hold a majority share in an LFC.

On 24 May 2011, the Government also announced that it had reached agreement with Telecom (the "**UFB Agreements**") under which New Chorus (as described below) will roll out fibre to the remaining 24 of the 33 UFB candidate areas, covering approximately 70% of the area covered by the UFB Initiative, including Auckland, the eastern and lower North Island and most of the South Island. CFH has committed to invest up to approximately \$929 million in New Chorus in connection with the fibre roll out within the 24 UFB candidate areas awarded to New Chorus (provided that certain build milestones are met and at the election of New Chorus). The UFB Agreements are effectively conditional on the structural separation of Telecom's retail business from the business that will own and operate the fibre-to-the-premise FTTP network (which, after Demerger, will be New Chorus).

The Demerger

Under the demerger (the "**Demerger**"), Telecom will separate into two companies, New Telecom and New Chorus. The Demerger will be implemented by way of a Court approved scheme of arrangement under Part XV of the New Zealand Companies Act.

As a result of the Demerger, New Chorus will become a standalone entity. New Chorus and New Telecom will operate independently of each other, except for the transitional and long term arm's length commercial arrangements.

After the Demerger, New Telecom will not own any New Chorus Shares and New Chorus will not own any New Telecom Shares.

New Chorus

As further described below and in the Base Prospectus the Demerger will involve the transfer of certain assets and liabilities to New Chorus and it is in this context that the Proposal have been formulated. The expected credit rating of the Existing Notes and the rating of New Chorus are summarized below.

New Chorus expected credit rating and ratings policy

It is expected that Standard & Poor's will assign a preliminary credit rating for New Chorus of BBB/Stable and Moody's will assign a preliminary credit rating of Baa2/Stable.

New Chorus intends to adopt a capital structure consistent with maintaining an investment grade credit rating. To that end, New Chorus intends to manage its debt levels to ensure that the ratio of net interest bearing debt (inclusive of associated derivatives) to EBITDA does not materially exceed three and a half times on a long run basis. For the purposes of this metric net interest bearing debt includes the senior portion of CFH Debt Securities but excludes the subordinated portion of the CFH Debt Securities and the CFH Equity Securities.

New Telecom expected credit rating and ratings policy

Standard & Poor's believes that if New Telecom maintains an appropriately conservative capital structure and financial policies a rating outcome of A- is possible. It is expected that Moody's will assign a preliminary credit rating for New Telecom of A3/Stable.

New Telecom intends to adopt a capital structure consistent with maintaining an "A band" credit rating. To that end, New Telecom intends to manage its debt levels to ensure that the ratio of net interest bearing debt (inclusive of associated derivatives) to EBITDA does not materially exceed 1.1 times on a long run basis which for credit rating agency purposes equates approximately to a net debt to EBITDA of approximately 1.5 times. The difference between these two ratios is primarily due to the capitalisation of operating leases.

Fitch Ratings currently assigns a credit rating to the foreign currency bonds of Telecom on an unsolicited basis.

New Telecom

This section sets out certain information with respect to Telecom, post-Demerger.

Business overview

On Demerger, New Telecom will remain New Zealand's largest provider of telecommunications and IT services, by revenue, customers and assets. New Telecom will be subject to less of the current Telecom-specific regulation and will therefore compete on a similar regulatory footing with its market peers. New Telecom will have significant operational scale and scope, with assets, including:

- the public switched telephone network (PSTN) network equipment for fixed line calling;
- the XT 3G mobile network;
- national backhaul networks;
- a 50% ownership interest in the Southern Cross international cable; and
- one of Australia's most extensive fixed internet protocol (IP) networks.

New Telecom will provide fixed, mobile and information technology (IT) products and services to retail and wholesale customers with:

- over 1 million fixed line residential and small and medium sized enterprise (SME) customers in New Zealand;
- over 2 million mobile connections (consumer and business) in New Zealand;

- over 800,000 fixed and mobile internet and broadband customers in New Zealand;
- over 3,000 business clients across Australasia using Gen-i's information and communication technologies (ICT) services; and
- over 6,000 business and 300 wholesale customers in Australia using AAPT's services.

Under the Operational Separation Undertakings, which have been in place since 2008, Telecom's retail businesses currently purchase fixed line network products on equivalent technical and financial specifications to all other industry participants. The Demerger of New Chorus therefore will not substantially alter the nature of Telecom's retail businesses, with the most significant change being the movement from an internal trading relationship to an external billing relationship.

New Telecom will have four customer-facing business units, Retail, Gen-i, Wholesale & International and AAPT, with its New Zealand operations supported by the Product Business Unit, a network and IT unit known as Technology and Shared Services, or T&SS, and a corporate centre.

In 2008, Telecom set its mission to become number one in broadband, mobile and ICT in New Zealand. New Telecom's vision continues to be to achieve this by putting customers at the heart of its business and, in doing so, become New Zealand's most preferred company. New Telecom has a number of competitive advantages, including:

1. The number one or two market position in the market in each of broadband, fixed/mobile voice and IT markets, enabling unique and compelling converged customer propositions;
2. A strong brand with national presence and a sustained relationship with customers, cemented by mature and high quality customer service operations;
3. Operational scale and capability in marketing, distribution and customer management (including billing and customer service); and
4. An all 3G nationwide mobile network.

New Telecom will remain a key player across the following key telecommunications and IT service markets:

- Fixed - which includes fixed access and calling, fixed broadband, managed data and related value added services and will be provided by New Telecom's customer facing business units to residential and business users.
- Mobile - which includes voice services, text and multimedia messages, wireless application services, wireless data services, paging, cellular equipment sales and other related mobile network services.
- IT services - which includes managed IT services, IT outsourcing, procurement of hardware and software, operations (for example maintenance and support), professional services (for example applications support and integration) and cloud computing services, and will be provided by Gen-i to large corporate and Government customers.

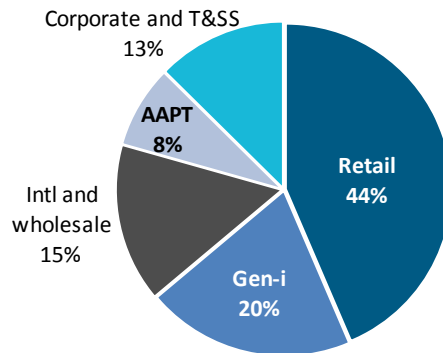
New Telecom will participate in the Australian telecommunications market through AAPT, predominantly in business and wholesale markets in the major metropolitan areas. Gen-i also provides IT services to enterprise clients in Australia.

On Demerger, New Telecom will have approximately 8,100 employees of which 1,400 are service representatives staffing sales and support helpdesks. New Telecom will be New Chorus' largest customer, accounting for approximately 84% of New Chorus' FY11 pro forma revenue.

Pro forma historical business results

On a pro forma basis for FY11, New Telecom generated revenue and other gains of NZ\$5,071 million, EBITDA of NZ\$885 million and EBIT of NZ\$178 million. After removing the gain from the sale of AAPT's consumer division and the effect of certain one-off costs and asset impairments, New Telecom earned adjusted EBITDA of NZ\$1,125 million for FY11.

The chart below shows New Telecom's adjusted EBITDA on a pro forma basis by business unit for the year ended 30 June 2011.

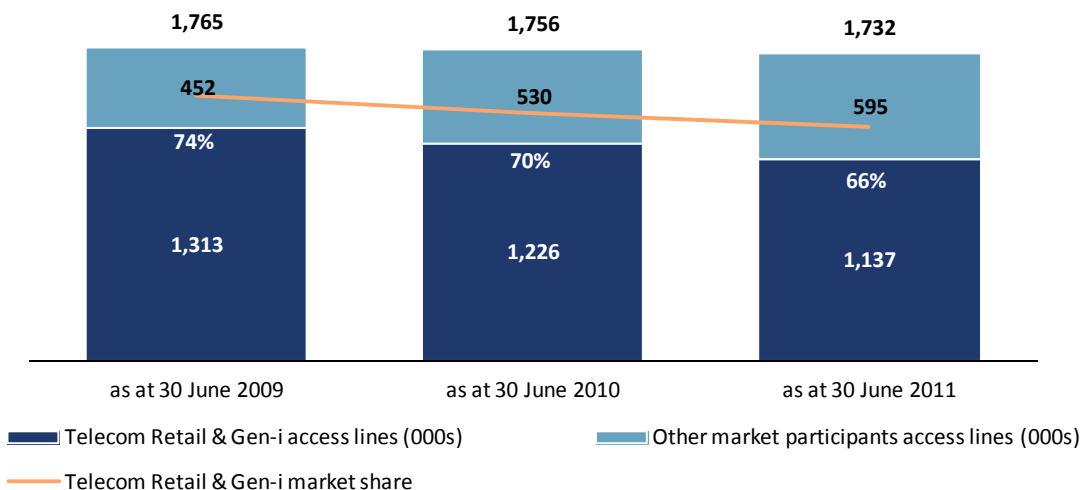


Relative size, market share etc

This section describes Telecom's share of the key markets in the New Zealand telecommunications and IT services industry in which New Telecom will compete, and provides an overview of the market trends, competitive landscape and Telecom's performance.

Fixed Access & Calling

Fixed access and calling will continue to be a core market for New Telecom, with Telecom currently having a market share in fixed access and calling of approximately 66% by total access lines. As with other international markets, fixed access and calling within New Zealand is in slow decline, as usage moves to mobile and "over the top" internet based services.

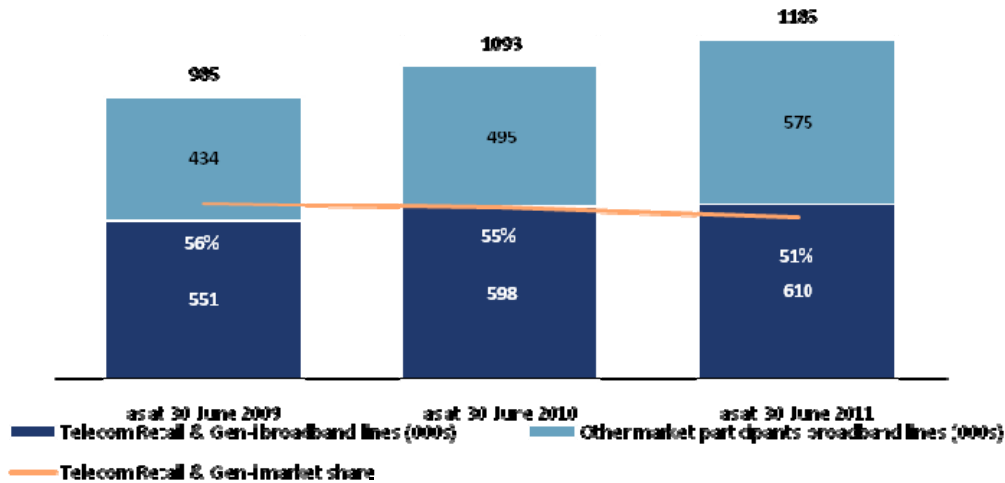


Source : IDC NZ Telco Tracker for FY2009 and FY2010 and management estimates for FY2011

Competition within the fixed line business has continued to increase, particularly in metro and urban areas of New Zealand. Retail service providers that have invested in unbundled copper local loop (UCLL) are aggressively marketing bundles of services, predominantly using price as the differentiator. Over the past year this level of competition resulted in line loss of 89,000 lines for Telecom, Retail and Gen-i.

Broadband (fixed)

The fixed broadband market continues to grow. However, the majority of new customers are expected to be lower value, late adopters as broadband penetration in New Zealand approaches comparable levels to overseas markets, such as Australia and the United Kingdom.

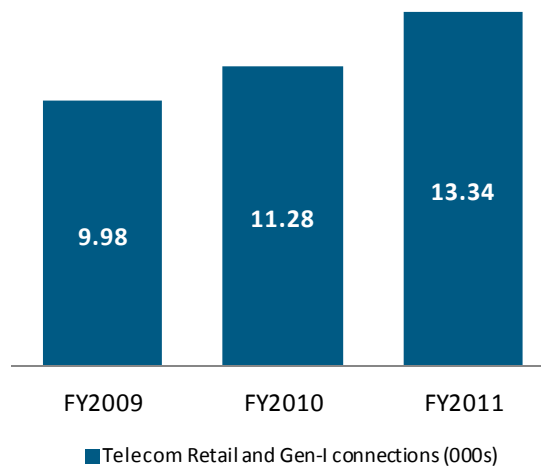


Source: IDC NZ Telco Tracker for FY2009 and FY2010 and management estimates for FY2011

New Telecom's market strategy will be to maintain Telecom's current retail market share of over 50% by exploiting its fixed/mobile integration capabilities to deliver customer bundles and new high speed internet enabled services, particularly with the introduction of fibre products and services as the UFB Network roll out commences. Telecom's Retail business currently provides bundled offerings combining calling, broadband and fixed line rentals and at 30 June 2011 more than 318,000 customers had signed up to these packages.

New Telecom's principal competitors in the fixed access and calling market will be affiliates of large multinational corporations with substantial resources, including TelstraClear and Vodafone.

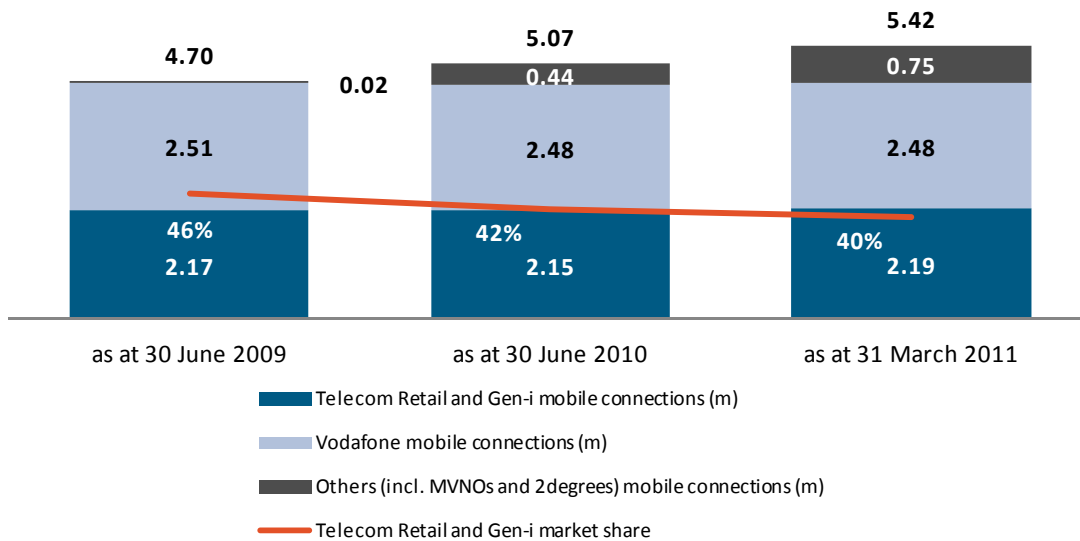
Managed Data (excluding Wholesale)



Source: Management estimates

Telecom offers a range of managed data services, providing mainly business clients, with a tailored copper or fibre based data service allowing them to connect multiple premises together and including a range of management services over and above the basic network. Although total connections have consistently grown, total managed data market revenues have declined due to downward pressure on price and migration to alternative services. In line with this, Telecom's managed data revenue has also declined, reflecting the increasingly competitive market place and the start of fibre based competition. New Telecom's success in this market will be dependent on its ability to migrate customers from legacy copper to fibre solutions, ensuring value is added to the pure network connectivity through the bundling of managed voice, data services and converged ICT solutions.

Mobile (voice, SMS & data)



Source: IDC NZ Telco Tracker, 31 March 2011

Vodafone and 2degrees are Telecom's key competitors in the mobile market. 2degrees entered the market in 2009 and had an immediate impact in terms of price competition. New Telecom will also face competition as mobile virtual network operators (MVNOs), which offer mobile services exclusively using the infrastructure of other mobile network operators, become established in the New Zealand mobile market.

The volume of mobile voice minutes continues to grow in New Zealand, mainly at the expense of fixed calling. However, high levels of price competition are restricting the growth of mobile voice revenues in the overall New Zealand market. At the same time mobile data usage is increasing rapidly as customers demand greater mobile internet and broadband capacity, driven by innovation in mobile devices and value added services.

Telecom has invested in a leading 3G mobile network (the XT Network) to capture the rapid growth of mobile voice and data.

Mobile broadband connections on the XT Network have grown to 163,000 as at 30 June 2011, from 82,000 as at 30 June 2010, a 99% increase. For June 2011, 82% of all mobile revenues were generated from the 56% of the New Telecom customer base connected to the XT network. New Telecom's mobile strategy will continue to focus on the growth in high value, postpaid customers. In the second half of FY11, Telecom lost over 95,000 mobile connections, however during the same period Telecom's postpaid connections increased by 4,000. For the second half of FY11, there was a 7% increase in average revenue per user (ARPU) when compared to the second half of FY10.

Telecom continues to develop its range of bundles for small and medium-sized enterprise (SME) customers on the XT Network. New mobile plans 'Talk & Text' and 'Business SmartPhone' were launched in March 2011 to cater for smartphone users. For larger businesses, Telecom is focused on delivering end-to-end mobility solutions that integrate mobile devices with internet, fixed voice and IT applications.

IT services

According to IDC market analysis, Gen-i had approximately 13% of the New Zealand IT Services market in 2010, making Gen-i, alongside Hewlett Packard, a domestic market leader. In 2010, Gen-i had the largest share of the network management submarket and was also a market leader in hosted application management and hosting infrastructure services, which are key focuses for growth and a critical stepping stone in the delivery of new cloud based computing services.

Telecom's portfolio of IT services includes:

- Cloud computing services;

- Managed IT services;
- IT outsourcing;
- IT software and hardware procurement; and
- Professional services to assist organisations with business and technology investments.

Gen-i faces competition in the New Zealand and Australian IT services markets from global IT solutions providers, such as Hewlett Packard and IBM, but also from smaller niche providers such as Datacom, Dimension Data and Integral.

Regulation

Telecom believes that the New Zealand telecommunications market is currently one of the most extensively regulated telecommunications markets in the world. Telecom is currently subject to the Operational Separation Undertakings, which are designed for a copper-based world served by a vertically integrated incumbent provider of access services and have imposed on Telecom an increasing level of cost, congestion, complexity and customer risk.

Services currently regulated

A brief description of the current regulation under the Telecommunications Act applying to some of the key services provided by Telecom is set out below. If the Demerger proceeds, the pricing regime applying to these services will be substantially changed. If the Demerger does not proceed, these changes will not occur.

- *Unbundled Copper Local Loop ("UCLL") co-location and backhaul services:*
 - **Unbundled copper local loop (UCLL), co-location and backhaul services:** The pricing of the UCLL group of services is regulated by the Commerce Commission under published 'standard terms determinations'. The current pricing for the monthly rental for the UCLL service is based on benchmarking by the Commerce Commission against prices for similar services in comparable countries and is de-averaged (ie a lower price in urban exchanges and a higher price in non urban exchanges). The associated co-location and backhaul services are also regulated.
 - **Sub-loop unbundling (SLU) services:** The pricing of the SLU group of services is regulated by the Commerce Commission under the published 'standard terms determination'. The SLU service's pricing has the same urban and non urban split as UCLL. There are also associated co-location and backhaul regulated services.
 - **Unbundled Bitstream Access (UBA) services:** The pricing of the UBA and associated UBA backhaul services is regulated by the Commerce Commission under the published 'standard terms determination'. The pricing methodology for the UBA service is the retail price minus a discount, benchmarked against discounts in comparable countries. For naked UBA services, there is a contribution to the costs of Telecom's local loop network that Telecom would usually recoup from an end user of its local access and calling service, as determined by benchmarking against comparable countries.
- *Resale services investigation:*
 - The Minister for Communications and Information Technology has recently accepted the Commerce Commission's recommendations that the potential resale regulation should be scaled back in areas where there is effective competition and that the following should occur:
 - de-regulation of resold broadband and data services;
 - removal of regulation of bundled resale offerings; but
 - continued regulation of resold local access and calling services and parts of bundles.

Mobile co-location: The Commerce Commission has recommended that the price for mobile co-location service should not be regulated but has determined the non-price terms on which parties could co-locate on each

other's towers, including the levels of interference that co-locators are able to cause existing operators, when existing operators can be required to minimise or replace antenna and what space existing operators can forecast for future use.

Mobile termination rates: Mobile termination rates for fixed to mobile, and mobile to mobile calls have been regulated. The initial basis for regulation, the initial pricing principle, is a product of benchmarking against the costs of providing similar services in comparable countries that use a forward looking cost based pricing methodology. Termination rates for texts (or short message service) have been reduced to a very low nominal charge.

The proposed regulatory framework

The Telecommunications Amendment Act was enacted on 30 June 2011. It establishes a substantially revised regulatory regime that will apply to New Telecom and New Chorus upon Demerger. It also includes certain regulatory changes which will take effect irrespective of whether the Demerger proceeds.

The Telecommunications Amendment Act supports and facilitates the Demerger with respect to a number of key matters.

If the demerger proceeds, the Telecommunications Amendment Act will provide an opportunity for regulatory simplification and certainty, which is a key rationale for Telecom in proposing to undertake the Demerger.

Regulatory framework changes

The table below highlights the key elements of the regulatory framework that would change upon Demerger. In the event that the Demerger does not take place, the current regulatory framework will remain in place, except for the accounting separation requirements and the Telecommunications Services Obligation compensation reforms.

	Pre Demerger	Post Demerger	
	Telecom	New Telecom	New Chorus
Operational Separation Undertakings '3 box' model¹	Yes	N/A	N/A
Accounting separation	Yes (but recently removed by the Telecommunications Amendment Act)	No	No
Independent Oversight Group	Yes	No	No
Ownership restrictions	Yes	No	Yes
Open access undertakings²	N/A	No	Yes
Obligations under the TSO³	Yes	Yes	Yes
Line of business restrictions⁴	No	No	Yes
Oversight of transitional and long term sharing and commercial arrangements between New Chorus and New Telecom	N/A	Yes	Yes

1. The 3 box model is defined as the separation of the Chorus, Wholesale and Retail business units as per the Operational Separation Undertakings.

2. The new open access deeds of undertakings are primarily aimed at holding the principles of non-discrimination and equivalence. The draft open access deeds of undertakings currently provide that New Chorus is not required to have separate business units.
3. The Telecommunications Amendment Act requires a review of the TSO in 2013.
4. There is a transitional line of business restriction prohibiting New Telecom from purchasing UCLL for three years.
5. After the Demerger, New Telecom will not be subject to any of the current Telecom ownership restrictions imposed under the Telecom constitution which require the Government's consent. Any remaining legal or regulatory ownership restrictions applying to New Telecom will be consistent with other similar listed companies in New Zealand.

Removal of significant regulatory burden

If the Demerger proceeds, operational separation and all migration milestones under the Operational Separation Undertakings across all parts of Telecom will be revoked from the close of the day before the Demerger Date. However, New Chorus will be required to continue to deliver any legacy services (for example, UCLL) to an equivalence of inputs standard (ie to provide the same service to all customers on the same terms and conditions and to the same service level).

In contrast to the Operational Separation Undertakings three box model, upon Demerger the draft deeds of undertakings provide that there would be no obligation for New Telecom or New Chorus to have in place separate business units for operational or reporting purposes. Further, accounting separation and the requirement for Telecom to publish regulatory financial statements (for copper or fibre) have been removed under the Telecommunications Amendment Act.

The removal of this regulatory burden will significantly simplify the business operations of both New Telecom and New Chorus and is expected to substantially reduce the cost and complexity of compliance when compared to the current regulatory environment.

The Commerce Commission's normal role of monitoring, investigating and regulating telecommunications services and overseeing general competition obligations under the Commerce Act and the Telecommunications Act will continue. However, the changes made by the Telecommunications Amendment Act will prevent the Commerce Commission from requiring unbundling of the UFB Network (Layer 1 point to multi-point) until after 31 December 2019 so long as there is a binding undertaking in force (which is anticipated to be the case). Other UFB services may be regulated in the future.

New Telecom Strategy

The global telecommunications and IT industry continues to evolve rapidly, with the development of new technologies and sources of competition and further convergence with other industries, against a backdrop of continued government regulation. The manner in which communications, entertainment and IT services are consumed is fundamentally changing - creating both opportunities and risks for existing business models in the telecommunications and IT sector.

The fundamental trends affecting the telecommunications and IT services markets in New Zealand are similar to those faced globally by incumbent telecommunications companies in mature markets and include:

- rapid growth in usage of mobile, internet and data services;
- flat revenues in the overall communications market;
- increasing competitive intensity across all telecommunications and IT services markets;
- a growing preference for internet-enabled services in each of the mass market, SME and corporate sectors;
- regulatory pressure continuing in both mobile and fixed domains; and
- globalisation of technology manufacturers and increased focus on open platform enabled solutions

In response to these market conditions, and in light of the Government led UFB Initiative, Telecom developed a strategy to reflect the increasingly challenging operating environment, as well as ensuring it is appropriately structured to compete in the fibre future. Known as Vision2013, this strategy was designed to accelerate Telecom's existing value retention, simplification, cost reduction, and growth plans and will continue to form the basis of New Telecom's strategy after the Demerger.

The Vision2013 strategy is focused on four key themes, which are:

- **Enablers:** delivering changes to Telecom's operating model and structural design to better enable the transition to the post-Demerger environment.
- **Market Strategy:** exiting non core markets and focussing investment in new or existing markets with higher returns and growth opportunities.
- **Operational Excellence:** reducing failure rates and simplifying the business in order to deliver improved customer experience, sustainable lower operating costs and increased returns from capital investment.
- **Commercial Excellence:** driving a focus on customer satisfaction, customer retention and margin improvement from the delivery of new fibre, mobile and ICT customer offerings.

Telecom is well progressed in delivering the first phase of this strategy, which involves a particular focus on improving free cash flow. This is evidenced in FY11 by the reductions in operating and capital expenses, including significant cost reduction within the business units that will form New Telecom. In line with Vision2013, Telecom also exited non core operations, such as the AAPT consumer business, ownership of the Yahoo!Xtra internet portal and the Gen-i software solutions business in New Zealand in FY11.

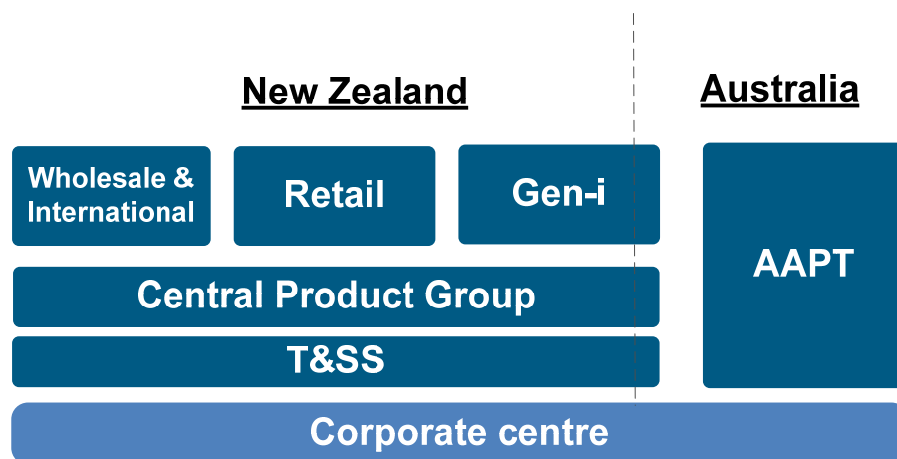
New Telecom's operational excellence activities target operating expenses and capital expenditure efficiency through simplifying its products and platforms and reducing personnel costs. In FY11, this included significant head count reductions within the business units that will form part of New Telecom. Operational excellence is also expected to deliver process simplification and a reduction in errors and rework. As well as lowering costs, this is expected to drive improvements in customer experience and further Telecom's mission of being New Zealand's most preferred company.

New Telecom's commercial excellence activities target improvement of margins across the product portfolio by lowering costs within its customer operations and growing revenue through new products and services. Telecom's churn reduction programme will be enabled by innovative commercial bundles of fixed line, mobile communication and value added IP services packages, supported by further investment in New Telecom's customer satisfaction initiatives such as "Right First Time" which systematically identifies and removes sources of inefficient service delivery and customer pain points.

In the longer term, New Telecom aims to deliver revenue growth, possibly by exploring opportunities to enter new adjacent markets such as entertainment, financial services or consumer payments. In 2010, Telecom Rentals Limited, a Telecom owned company that provides leasing and technology finance for business customers, was recognised with the Deloitte fast 50 award as New Zealand's fastest growing company.

New Telecom Business Units

As part of Vision2013, New Telecom has already implemented a new organisational model (as shown below), which New Telecom Management believes will enable the organisation to operate more effectively after the Demerger.



The objective of the new organisational model is to create a simplified and more balanced structure, consisting of:

- The existing customer units, which are segment specific (ie consumer, business and large enterprise and wholesale and international) and are accountable for commercial innovation, customer experience and segment margin leadership.
- Centralised operational units, intended to leverage scale and manage cost and capital expenditure across networks, IT platforms and the core network product portfolio. The operational units aligns pricing and product management/strategy with the design, build and in life operations of IT platforms and process, jointly targeting standardisation and simplification efficiency opportunities.
- Centralised corporate functions, intended to remove role duplication across the Telecom Group. Lean centres of excellence provide support to business units and external stakeholders across finance, strategy, human resources, legal and communications.

Customer-Facing Business Units

Retail

New Telecom's Retail business unit will continue to provide mass-market products, services and support to consumer and SME customers. Services provided by the Retail business include fixed line calling and access products, broadband, dial-up and online offerings, and mobile voice, data, messaging and multimedia services.

On Demerger, New Telecom will have a retail store network of more than 85 stores made up of New Telecom's own retail stores, as well as 59 dealer outlets dedicated to New Telecom products and services. The refurbishment and development of the Telecom network of stores initiated in 2010 continued and it is expected that by the time of the Demerger the refurbishment of six 'Super Stores' and four New Telecom retail stores will have been completed.

The Retail business unit intends to grow earnings by strengthening its position as a leading retail services provider, through continued market leadership of fixed broadband/fibre services, strengthening its position in mobile and capitalising on growth opportunities in mobile data, and improving customer service and satisfaction through simplification and "right first time" programmes.

In fixed markets, Retail is focussed on delivering bundled offers to retain voice and broadband customers, and intends to launch fibre offerings based on new high bandwidth access services. At 30 June 2011, more than 80% of Telecom's broadband customers had signed up to Telecom Retail's bundled packages (as at 30 June 2010, this figure was 67%) representing a strong starting point to grow fibre based services. Retail also offers TV services as part of its bundled offerings, and in May 2011 signed a new reseller agreement with SKY Television. Within the broadband market, Retail will continue to focus its attention on the higher margin users rather than capturing market share.

In mobile, Retail is focused on revenue and margin growth. Retail continues to see data usage increasing across all segments and devices. For example, Retail's total monthly usage for data in June 2011 increased by over

100% when compared to June 2010, reflecting the growth in customers on the XT Network, the increasing availability and functionality of smartphone devices and the prevalence of content for mobile users. These features assist in attracting customers from the CDMA mobile network which is planned to be switched off in 2012.

Gen-i

Gen-i provides ICT solutions for business clients across New Zealand and Australia, and has over 3,300 business customers. Gen-i's earnings growth is built on leadership in networked IT and managed solutions across fixed and mobile and delivering operational efficiencies and simplification as customers migrate from legacy to IP and fibre based solutions.

During FY11, Gen-i undertook a major transformation programme to focus on the strategic themes under Vision 2013 of simplifying its value proposition, reducing cost, retaining value in its traditional telecommunications business, targeting growth in delivering mobile and next generation cloud computing services and growth in trans-Tasman clients. Gen-i has re-organised itself around two distinct customer segments with specific service offerings:

- (i) Enterprise clients with complex needs, that require integrated ICT solutions and see ICT as strategic for their business and are therefore willing to pay for bespoke solutions; and
- (ii) Corporate/Business customers with simpler requirements that require cost effective and more standardised platform-based ICT solutions, including IP based telecommunications services and hosted/cloud based IT solutions.

Wholesale and International

As a result of the Demerger asset split under the Asset Allocation Plan, New Telecom will own significant national backhaul telecommunications assets and the PSTN network equipment which will be largely unregulated. Through these assets New Telecom, via Wholesale, will provide a range of communication products and services that will complement the regulated local network access products and services which will be provided by New Chorus through its own copper and fibre access networks.

On Demerger, Wholesale will have approximately 70 customers comprising mainly retail service providers that it will deal directly with through its own sales and service channels.

Wholesale's portfolio of voice, mobile, interconnection, managed data and national backhaul products offer retail service providers the ability to create and extend their own networks to be able to provide a wide range of telecommunications service to their end users. Wholesale also offers resale products so service providers without their own nationwide networks can offer services nationally. In addition, some of its services, such as PSTN resale, will be resold under an agency agreement to retail service providers due to the complementary nature of these services with the New Chorus products and services.

International delivers integrated telecommunications services between New Zealand, Australia and the rest of the world, by providing international voice, mobile, value-added calling and international transit services to carriers and offshore telecommunications providers.

International's business provides:

- traditional voice services: which handles New Zealand and Australian originated traffic minutes plus reciprocal traffic and provides other value-added services relating to this; and
- carrier services: a provider of international voice service products specific to the needs of international, wholesale and retail customers across fixed line, cable and mobile operators.

Through these divisions, International enables carriers and retail operators to provide voice and mobile solutions to their customers. International terminates and receives traffic to and from all countries in the world, carrying approximately 4 billion minutes of global traffic per annum.

AAPT

AAPT is an Australian telecommunications provider that owns and operates its own national voice and data network. This includes 11,000km of interstate fibre, its own data centres in major capital cities, fibre access to 1,300 premises and mid-band ethernet in 180 exchanges. AAPT has access to Digital Subscriber Line (DSL) coverage in over 380 exchanges focused on the major Australian cities and large metropolitan areas.

On 30 September 2010, Telecom completed the sale of its investments in Macquarie Telecom and iiNet for A\$80 million and the sale to iiNet of the AAPT Consumer business for A\$60 million. As a result, AAPT now focuses on the business and wholesale section of the Australian telecommunications market.

Telstra and Optus are AAPT's main competitors in the voice, data and internet market. The local calling market remains dominated by Telstra, as it owns most of the Australian domestic local loop network. Interconnection with Telstra's local loop is necessary for competitive carriers, including AAPT, to offer many telecommunications services.

AAPT's strategy is focused on leveraging its own infrastructure to drive profitable on-net services rather than reselling services from Telstra. Following the upgrade of its core network, AAPT now offers a range of new IP-centric business products supporting innovative new voice and data solutions, AAPT works closely with Gen-i Australia to jointly deliver telecommunications and IT services to large enterprise clients that operate both in New Zealand and Australia. AAPT has continued to rationalise and simplify its products, operations and IT platforms.

In 2010, AAPT upgraded its billing and rating capability, closing down duplicated systems and migrating to a single billing platform which delivered annual cost savings and significant business simplification across back-office operations. As AAPT emerges from a period of cost reduction and operational improvement it is now focused on a revenue growth plan within business and wholesale markets, using its IP network capabilities supported by a lower cost and online centric customer service and billing capabilities.

Operational Business Units

Product Business Unit

The Product Business Unit was recently created as an outcome of the Vision 2013 strategy. Its role is to set a consistent strategy across the product portfolio, and then to design, develop and manage pricing and process activities associated with the products across all customer facing units. This includes activities such as business cases development, business planning, product delivery and commercial and market development.

The Product Business Unit is accountable for:

- delivering group business and competitive insight across key markets and segments;
- developing New Telecom's product and pricing strategy, group channel strategy and, in conjunction with T&SS, its technology strategy;
- driving the required business and market development and associated strategic partnerships; and
- designing, developing and managing New Telecom products and related pricing.

Technology and Shared Services

Telecom's Technology & Shared Services division is responsible for:

- operating Telecom's shared business processes;
- developing, maintaining and operating Telecom's IT systems and networks; and
- aligning systems, platforms and processes with Telecom's business objectives.

Following the Demerger, T&SS will continue to provide support for key products and services, examples of which include:

- **Fixed and PSTN life cycle management.** T&SS will continue to operate and support the PSTN platform, which is the platform that supports traditional fixed-voice telephony and is the key platform for sustaining Telecom's current fixed line revenues. T&SS will also continue to develop and operate, and to invest in architecture and support systems capabilities (including fulfil, assure and bill) for fixed line products and services.
- **Mobile network.** T&SS will continue to be responsible for supporting the mobile networks. T&SS will also continue to develop and operate, and to invest in architecture and support systems capabilities (including fulfil, assure and bill) for mobile products and services.
- **Provisioning.** T&SS will continue to provide provisioning processes and manage requests for data and voice services from New Telecom's customer-facing operations, the Telecom website and New Chorus customers, including allocating network resources and activating and commissioning services that require access to shared IT and network resources.

Funding

Following the Demerger, funding for New Telecom is expected to be sourced from a combination of its own cash balances, operating cash flows, domestic Telebonds and commercial paper. Upon Demerger, New Telecom is expected to have approximately NZ\$750 million to NZ\$950 million of net interest bearing debt (inclusive of associated derivatives), reflecting the outstanding Telebonds and any GBP EMTN bonds which are not exchanged, and drawings under the existing facilities Telecom has in place today, net of cash on hand. This figure will vary depending on the amount of operating, investing and financing cash flows up until the Demerger and market rates at that time.

RESULTS OF REVIEW THROUGH THE ASSOCIATION OF BRITISH INSURERS

The Proposals (as defined herein) have been considered by a special committee of the Association of British Insurers (the "**ABI**"). The members of the special committee have examined the Proposals and have informed the Issuer that they find the Proposals acceptable, that they intend to instruct in respect of their holdings accordingly and that they will be informing other ABI members of their review of the Proposals. The special committee has advised the Issuer that this review relates only to the Proposals with respect to the Existing Notes described in this Consent Solicitation Memorandum and not to future offers or proposals. The special committee holds, in aggregate, 31.8 per cent, by nominal value of the Existing Notes.

EXPECTED TIMETABLE OF EVENTS

This is an indicative timetable showing one possible outcome for the timing of the Consent Solicitations based on the dates appearing elsewhere in this Consent Solicitation Memorandum and assuming the relevant Meetings are not adjourned and that the Extraordinary Resolutions are approved and the Consent Transaction Conditions are satisfied or waived on or before 31 December 2011. Accordingly, the actual timetable may differ significantly from the indicative timetable below. All times are London time.

Events	Times and Dates
<i>Commencement of the Consent Solicitations</i>	31 August 2011
Meetings of Noteholders are called by the Issuer in respect of each Series of Existing Notes. The notice of the Meetings is given to Noteholders (i) in the Financial Times and the Luxemburger Wort, (ii) via the Clearing Systems, (iii) via a Notifying News Service, and (iv) published on the website of the Luxembourg Stock Exchange (www.bourse.lu).	
Consent Solicitation Memorandum made available to Noteholders by the Tabulation Agent.	
<i>Early Submission Deadline</i>	4.00 p.m. on 9 September 2011
Deadline for receipt of an Early Voting Instruction in order for the submitting holder to be eligible to receive the relevant Early Voting Fee.	
<i>Expiration Deadline</i>	11.00 a.m. on 20 September 2011
Latest time for holders of the Existing Notes to make arrangements to attend or be represented at the relevant Meeting in accordance with the Notice of Meeting.	
<i>Meetings</i>	commencing at 11.00 a.m. on 22 September 2011
Meetings of Noteholders of each Series, held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London, E14 5JJ.	
<i>Announcement of Results of Meetings</i>	As soon as reasonably practicable following the Meetings
Announcement of the results of the Meetings given to Noteholders via Euroclear and Clearstream, via a Notifying News Service, and published on the website of the Luxembourg Stock Exchange (www.bourse.lu).	
<i>Satisfaction of Consent Transaction Conditions</i>	Expected to be mid- November 2011
Confirmation that the Consent Transaction Conditions have been satisfied or waived is announced via a Notifying News Service and published on the website of the Luxembourg Stock Exchange (www.bourse.lu).	
<i>Settlement</i>	Expected to be on or about 30 November 2011
Payment of the relevant Early Voting Fee due to Noteholders.	
<i>Long-Stop Date</i>	31 December 2011
Latest date for satisfaction or (if applicable) waiver of the Consent Transaction Conditions.	

The above times and dates are subject, where applicable, to the right of the Issuer to extend, re-open, amend and/or terminate the Consent Solicitations and the calling of any adjourned Meeting by the Issuer. The deadlines set by any custodian or intermediary and each Clearing System for the submission and withdrawal of Instructions may be earlier than the relevant deadlines above. See "Procedures for Participating in the Exchange Offers" and "Procedures in relation to the Meetings".

If any Meeting is not quorate on the date stated above, such Meeting shall stand adjourned for such period being not less than 13 clear days and not more than 42 clear days, and at such place as may be appointed by the chairman of the Meeting (and approved by the Trustee) and notice of any adjourned meeting shall be given in the same manner as notice of the original Meeting, save that 10 days' notice (containing the information required for the notice in the original Meeting) shall be given. If one or more adjourned Meetings are required, these are expected to be held on 6 October 2011.

Unless stated otherwise, announcements in connection with the Consent Solicitations will be made through the website of the Luxembourg Stock Exchange (www.bourse.lu). Such announcements may also be made by (i) the issue of a press release to a Notifying News Service and (ii) the delivery of notices to the Clearing Systems for communication to Direct Participants. Copies of all such announcements, press releases and notices can also be obtained from the Tabulation Agent, the contact details for which are on the last page of this Consent Solicitation Memorandum. Significant delays may be experienced where notices are delivered to the Clearing Systems and Noteholders are urged to contact the Tabulation Agent for the relevant announcements relating to the Exchange Offers and the Consent Solicitations. In addition, holders of Existing Notes may contact the Dealer Manager for information using the contact details on the last page of this Consent Solicitation Memorandum.

Noteholders are advised to check with any bank, securities broker, custodian or other intermediary through which they hold Existing Notes when such intermediary would require to receive instructions to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Consent Solicitations in order to meet the deadlines set out above.

RISK FACTORS AND OTHER CONSIDERATIONS

This section does not describe all of the risks of participating in the Consent Solicitations. Before making a decision whether to offer Existing Notes for exchange pursuant to the Exchange Offers or to vote on the Extraordinary Resolutions, Noteholders should carefully consider, in the light of their own financial circumstances and investment objectives, all of the information in this Consent Solicitation Memorandum and, in particular, the following factors:

Future Business Risk to Telecom

The key business risks that may affect New Telecom following the Demerger include: (1) competitive pressures leading to a reduction in future profitability; (2) inability to achieve planned levels of operating cost reduction; (3) pressure on its ability to contain capital spending; (4) sharing arrangements with New Chorus; (5) network and system failure; (6) information technology security breaches; (7) reliance on outsourcing and partnership relationships; (8) declining AAPT operating performance; (9) inability to retain experienced or skilled employees; (10) financing availability and costs; and (11) impairments or write downs to the carrying value of assets. After the Demerger, New Telecom will not be subject to any of the current Telecom ownership restrictions imposed under the Telecom constitution which require the Government's consent (the "**Kiwi Share**") and which had formed a protective measure against certain change of control events. Any remaining legal or regulatory ownership restrictions applying to New Telecom will be consistent with other similar listed companies in New Zealand.

Responsibility for complying with the procedures of the Consent Solicitations

Noteholders are responsible for complying with all of the procedures for submitting Early Voting Instructions or otherwise voting in respect of the Extraordinary Resolution. None of the Issuer, the Guarantors, the Dealer Manager, the Trustee or the Tabulation Agent assumes any responsibility for informing any Noteholders of irregularities with respect to such Noteholder's participation in the Consent Solicitations.

No assurance that the relevant Early Voting Fee will be settled

The payment of the relevant Early Voting Fee is dependent on a number of conditions being satisfied (see "*Transaction Conditions*"). In particular, the payment of the applicable Early Voting Fee is conditional upon the granting of Final Orders in connection with the Demerger. No assurance can be given Consent Transaction Conditions will be satisfied (or, if applicable, waived).

Amendment

Subject to the terms set out in this Memorandum, the Issuer may choose, in its sole discretion, to amend the Consent Solicitations as provided in this Consent Solicitation Memorandum, including an amendment to the relevant Early Voting Fee at any time and, if it does so, Noteholders will have the rights contained in "*Amendment and Termination – Rights of Revocation*".

If the Meeting in respect of any Series of Existing Notes is adjourned, the Issuer may choose, in its sole discretion and without limiting the Issuer's right to otherwise extend, re-open, amend, waive any condition of or terminate the Consent Solicitations as provided in this Consent Solicitation Memorandum, or to amend the terms and conditions of the Consent Solicitations, to provide for the Expiration Deadline, to take place after the adjourned Meeting. The Issuer is however under no obligation to amend any of the terms of the Consent Solicitations, and may amend one of the Consent Solicitations without similarly amending the terms of the other Consent Solicitation.

Blocking of Existing Notes

When considering whether to deliver a Voting Instruction, Noteholders should take into account that restrictions on the transfer of the relevant Series of Existing Notes by Noteholders will apply from the time of submission of such instructions.

The submission of a Voting Instruction will constitute an instruction to block the relevant Noteholder's Existing Notes in the relevant Clearing System account from the date the Voting Instruction is submitted until the earlier of: (i) conclusion of the Meeting and any adjourned Meeting (in the event that the Extraordinary Resolution is not passed at the initial meeting in respect of such Series) and (ii) the date on which the Early Voting Instruction

is revoked (in the limited circumstances in which such revocation is permitted in accordance with the rights set out in "*Amendment and Termination – Revocation Rights*").

Payment of the relevant Early Voting Fee, is conditional upon satisfaction of the Consent Transaction Conditions, which include the granting of Final Orders in connection with the Demerger. Although the Issuer anticipates that the Settlement Date will take place on or about 30 November 2011, the Issuer reserves the right to delay payment of the Early Voting Fee, until such time as the Consent Transaction Conditions have either been satisfied or waived (as determined by the Issuer). The Consent Transaction Conditions must be satisfied or, where applicable, waived on or prior to the Long-Stop Date, which is 31 December 2011.

Irrevocability of Voting Instructions

Voting Instructions will be irrevocable except in the limited circumstances described in "*Amendment and Termination – Revocation Rights*".

Extraordinary Resolutions Binding

If the Extraordinary Resolution is passed in respect of each Series of Existing Notes, Noteholders who have not voted in connection with the Consent Solicitation will be bound by the resolution.

Responsibility to Consult Advisers

Each Noteholder is responsible for assessing the merits of the Consent Solicitations. None of the Issuer, the Guarantors, the Dealer Manager, the Trustee or the Tabulation Agent has made or will make any assessment of the merits of the Consent Solicitations or of the impact of the Consent Solicitations on the interests of holders either as a class or as individuals. Noteholders should therefore consult their own tax, accounting, financial and legal advisers regarding the suitability to them of the tax or accounting consequences of participating or declining to participate in the Consent Solicitations.

DEFINITIONS

2018 Early Voting Fee	GBP 5.00 per GBP 1,000 in aggregate principal amount of Existing 2018 Notes.
2020 Early Voting Fee	GBP 5.00 per GBP 1,000 in aggregate principal amount of Existing 2020 Notes.
Business Day	A day other than a Saturday or a Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business in London.
Clearing System Notice	The notice to be sent to Direct Participants by each of the Clearing Systems on or about the date of this Consent Solicitation Memorandum informing Direct Participants of the procedures to be followed in order to participate in the Consent Solicitations.
Clearing Systems	Euroclear and Clearstream, Luxembourg.
Clearstream, Luxembourg	Clearstream Banking, société anonyme.
Consent Solicitation	The invitation to Noteholders to waive any Event of Default which might occur as a result of the proposed Demerger.
Consent Transaction Conditions	The conditions to payment of the relevant Early Voting Fee in respect of each Series of Existing Notes, as set out under "Consent Transaction Conditions" below.
Conditions	The terms and conditions of each Series of Existing Notes as applicable.
Dealer Manager	Citigroup Global Markets Limited
Demerger	As defined under "Background to the Consent Solicitations".
Direct Participant	Each person who is shown in the records of Euroclear or Clearstream, Luxembourg as a holder of the Existing Notes at the time of submission of the relevant Voting Instruction.
Early Submission Deadline	4.00 p.m. London time on 9 September 2011.
Early Voting Fee	The 2018 Early Voting Fee or the 2020 Early Voting Fee, as applicable
Early Voting Instruction	The electronic blocking instruction delivered by the relevant Noteholder to the relevant Clearing System and specifying, <i>inter alia</i> , the aggregate principal amount of Existing Notes of the applicable Series in respect of which such Noteholder wishes to deliver a Voting Instruction in favour of the relevant Extraordinary Resolution, and the other instructions, certifications and statements set out in " <i>Procedures in relation to the Meetings</i> ", in accordance with the requirements and procedures of the relevant Clearing System.
Euroclear	Euroclear Bank S.A./N.V.
Exchange Offers	The invitations to certain eligible holders of the Existing Notes to exchange the Existing Notes for new Notes due 2020 to be issued by Chorus Limited.
Existing 2018 Noteholders	The holders of the Existing 2018 Notes.
Existing 2020 Noteholders	The holders of the Existing 2020 Notes.
Existing 2018 Notes	The GBP 125,000,000 5.625 per cent. Notes due 2018 of the Issuer.
Existing 2020 Notes	The GBP 150,000,000 5.75 per cent. Notes due 2020 of the Issuer.

Existing Noteholders	Existing 2018 Noteholders and Existing 2020 Noteholders.
Existing Notes	The Existing 2018 Notes and the Existing 2020 Notes.
Existing Principal Paying Agent	Citibank, N.A. in respect of each Series of Existing Notes.
Expiration Deadline	11.00 a.m. London time on 20 September 2011, being the deadline for the receipt of an Early Voting Instruction by the Tabulation Agent via the Clearing Systems.
Extraordinary Resolutions	The Extraordinary Resolutions in respect of the Existing Notes of each Series as set out in the Notice of Meeting in respect of each Series of Existing Notes.
Final Orders	Final orders granted by the High Court of New Zealand approving the demerger scheme of arrangement under section 236(1) of the New Zealand Companies Act 1993 in relation to Telecom.
FSMA	The Financial Services and Markets Act 2000.
Guarantors	Telecom Corporation of New Zealand Limited, Telecom Investments Limited, Telecom New Zealand Limited, Telecom Pacific Limited, Telecom Leasing Limited, Telecom Mobile Limited and TCNZ Australia Investments Pty Limited as guarantors of each series of Existing Notes.
Issuer	TCNZ Finance Limited, acting through its Australian branch in relation to the Existing 2018 Notes and through its Bermudan branch in relation to the Existing 2020 Notes.
Long-Stop Date:	31 December 2011.
Meeting	The meeting convened by the applicable Notice at which the holders of the Existing Notes of each Series will be asked to consider, and if thought fit, approve the relevant Extraordinary Resolution set out in such Notice (including any adjourned meeting).
New Telecom	Telecom, following implementation of the Demerger.
Noteholders	Holders of the Existing Notes.
Notice	The notice of Meeting sent to the holders of each Series of the Existing Notes, setting out the relevant Extraordinary Resolution that is to be voted on at such Meeting, the form of which is set out in Appendix A (<i>Form of Notice and Extraordinary Resolution</i>).
Notifying News Service	A recognised financial news service or services (e.g. Reuters/Bloomberg) as selected by the Issuer and the Dealer Manager.
Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
Original Prospectus	Means, as applicable, the information memorandum dated 19 December 2002 as completed by the pricing supplement dated 19 December 2002 in respect of the 2018 Notes, and the information memorandum dated 28 February 2005 as completed by the pricing supplement dated 4 April 2005 in respect of the 2020 Notes.
Programme	means the U.S.\$2,000,000,000 Euro Medium Term Note Programme of Chorus Limited.
Proposals	The Exchange Offers and the Consent Solicitations.

Revocation Instruction	An electronic revocation instruction to revoke a Voting Instruction delivered in accordance with the provisions set out in " <i>Amendment and Termination</i> ".
Securities Act	The United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
Series	Each of the Existing 2018 Notes, Existing 2020 Notes, as the case may be.
Settlement Date	Expected to be on or about 30 November 2011.
Telecom	Telecom Corporation of New Zealand Limited.
Tabulation Agent	Citibank, N.A.
Trustee	The Law Debenture Trust Corporation p.l.c.
Voting Instruction	An instruction to vote in connection with the relevant Meeting, including an Early Voting Instruction.

THE CONSENT SOLICITATIONS

The Consent Solicitations

The Issuer is soliciting the consent of the holders of each Series of the Existing Notes to pass at a meeting of such holders an Extraordinary Resolution (as described further in this Consent Solicitation Memorandum) sanctioning the waiver of any Event of Default (as defined in the Conditions) which may arise as a result of the proposed Demerger.

Extraordinary Resolutions

The resolutions will be proposed at separate meetings of the Noteholders of each Series of Existing Notes. The resolutions, and the form of notice convening the relevant Meetings, is set out in Appendix A "*Form of Notice of Meeting and Extraordinary Resolutions*".

If one or both Extraordinary Resolution(s) is passed, all of the holders of the Existing Notes of the relevant Series will be bound by it, irrespective of whether such Noteholders voted in favour of the Extraordinary Resolution.

Noteholders should read carefully the relevant forms of Extraordinary Resolution to be considered at the relevant Meetings. Further information about the procedure for voting and the quorum requirements is set out in the "*Form of Notice of Meetings and Extraordinary Resolution*" contained in Appendix A of this Consent Solicitation Memorandum.

Early Voting Fee

Noteholders who have properly submitted (and not revoked) an Early Voting Instruction in accordance with the terms and conditions set out in this Consent Solicitation Memorandum, appointing a proxy to vote in favour of the relevant Extraordinary Resolution on their behalf, and which is received by the Tabulation Agent on or prior to the Early Submission Deadline, will (subject as provided under "Consent Transaction Conditions" below) be entitled to receive the relevant Early Voting Fee.

Only Noteholders who (i) deliver, or arrange to have delivered on their behalf, valid Early Voting Instructions in favour of the relevant Extraordinary Resolution by the Early Submission Deadline (ii) do not seek to attend the relevant Meeting (or any adjourned Meeting) in person or make any other arrangements to be represented at the relevant Meeting, will be eligible for the applicable Early Voting Fee.

Any Noteholder that separately seeks to appoint a proxy to vote at the relevant Meeting (or any adjourned Meeting) on its behalf or attends the relevant Meeting (or any adjourned Meeting) in person or makes other arrangements to be represented at the relevant Meeting will not be eligible for the Early Voting Fee, irrespective of whether such Noteholder has delivered an Early Voting Instruction, or voted in favour of the relevant Extraordinary Resolution. Payment of the Early Voting Fee is conditional on the satisfaction of the Consent Transaction Conditions including the passing of the Extraordinary Resolution.

If the Consent Transaction Conditions are satisfied, any Early Voting Fee payable to Noteholders will be paid on the Settlement Date in immediately available funds delivered to the Tabulation Agent, who will act as agent for the Issuer for the purpose of receiving payments from or on behalf of the Issuer and transmitting such payments to the Clearing Systems for payment to the cash accounts of the relevant Noteholders in the Clearing Systems. The deposit of such funds with the Clearing Systems will discharge the obligation of the Issuer to all Existing Noteholders in respect of the above amounts represented by such funds.

Noteholders' Rights of Revocation

The submission of any Early Voting Instruction in accordance with the procedures set out in the section headed "*Procedures in relation to the Meeting*" will be irrevocable except in the limited circumstances described in "*Amendment and Termination – Revocation Rights*" below.

Copies of Documents

Copies of the trust deed and other transaction documents entered into in relation to each Series of Existing Notes are available for inspection by the Noteholders at the offices of each Existing Principal Paying Agent as

specified in the relevant Original Prospectus, in each case on and from the date of this Consent Solicitation Memorandum during normal business hours on any Business Day up to and including the Expiration Deadline.

Announcements

Unless stated otherwise, announcements in connection with the Consent Solicitations will be made through the website of the Luxembourg Stock Exchange (www.bourse.lu). Such announcements may also be made by (i) the issue of a press release to a Notifying News Service and (ii) the delivery of notices to the Clearing Systems for communication to Direct Participants. Copies of all such announcements, press releases and notices can also be obtained from the Tabulation Agent, the contact details for which are on the last page of this Consent Solicitation Memorandum. Significant delays may be experienced where notices are delivered to the Clearing Systems and Noteholders are urged to contact the Tabulation Agent for the relevant announcements during the course of the Consent Solicitations. In addition, holders of Existing Notes may contact the Dealer Manager for information using the contact details on the last page of this Consent Solicitation Memorandum.

CONSENT TRANSACTION CONDITIONS

Conditions to the payment of Early Instruction Fees

Payment of the relevant Early Voting Fee in relation to each Series of Existing Notes is subject to:

- (i) passing of the relevant Extraordinary Resolution;
 - (ii) the granting of the Final Orders; and
 - (iii) any such payment being permissible in accordance with all applicable laws,
- (together, the "**Consent Transaction Conditions**").

The Consent Transaction Conditions above are for the sole benefit of the Issuer and may be waived by the Issuer in whole or in part, at any time and from time to time, at its discretion. Any determination by the Issuer concerning the conditions set for the above (including whether or not such condition has been satisfied or waived) will be final and binding upon all parties. If the foregoing Transaction Conditions are not satisfied, in the opinion of the Issuer, or (if applicable) waived by the Issuer in full by 31 December 2011 (the "**Long-stop Date**"), the Consent Solicitations will lapse.

General

If the requisite majority of Noteholders does not vote in favour of the Extraordinary Resolution, the Issuer may choose to convene a further meeting of such Noteholders to consider the same or alternative proposals in relation to the Notes.

AMENDMENT AND TERMINATION

Termination, Withdrawal and Amendment

Notwithstanding any other provision of the Consent Solicitations, the Issuer, subject to applicable laws, at its option and in its sole discretion, at any time (subject to no such termination, withdrawal and amendment being permissible between 11.00 a.m. (London time) on the fourth Business Day immediately preceding the Meeting of the holders of the relevant Series of Existing Notes and the closing of such Meeting) may:

- (a) amend the terms of the Consent Solicitations in any respect; and
- (b) amend the applicable Early Voting Fee and/or the Early Submission Deadline.

The Issuer will ensure Noteholders are notified via the website of the Luxembourg Stock Exchange (www.bourse.lu) of any extension, re-opening, amendment or termination as soon as is reasonably practicable after the relevant decision is made. Such announcements will also be made by (i) the issue of a press release to a Notifying News Service and (ii) the delivery of notices to the Clearing Systems for communication to Direct Participants. Copies of all such announcements, press releases and notices can also be obtained from the Tabulation Agent, the contact details for whom are on the last page of this Consent Solicitation Memorandum.

The Issuer will not amend, waive or withdraw the applicable Early Voting Fee, at any time following the passing of the Extraordinary Resolution at the Meeting of holders of the relevant Series of Existing Notes. However, nothing contained in the Consent Solicitation Memorandum shall prevent the Issuer from amending the Consent Solicitations, including the applicable Early Instruction Fee, if the Extraordinary Resolution has not yet been passed (subject to no such amendment being permissible between 11.00 a.m. (London time) on the fourth Business Day immediately preceding the relevant Meeting and the closing of such Meeting).

In the event that the Early Voting Fee in respect of either the Existing 2018 Notes or Existing 2020 Notes is withdrawn, the Meeting will still be held. Voting Instructions will remain valid unless subsequently revoked.

Revocation Rights

If the Issuer amends the Consent Solicitations in any way that, in the opinion of the Issuer (in consultation with the Dealer Manager) is materially prejudicial to the interests of Noteholders that have already submitted Voting Instructions before the announcement of such amendment (which announcement shall include a statement whether in the opinion of the Issuer that such amendment is materially prejudicial to the interests of such Noteholders), then such Voting Instructions may be revoked at any time from the date and time of such announcement until 4.00 p.m. (London time) on the second Business Day following such announcement (subject to the earlier deadlines required by the Clearing Systems and any intermediary through which Noteholders hold their Existing Notes).

For the avoidance of doubt, any increase in the Early Voting Fee, and any extension of the Early Submission Deadline shall not be considered to be materially prejudicial.

Noteholders wishing to exercise any such right of revocation should do so in accordance with the procedures set out in "*Procedures in relation to the Meeting*". Beneficial owners of Existing Notes that are held through an intermediary are advised to check with such entity when it would require to receive instructions to revoke a Voting Instruction in order to meet the above deadline.

For the avoidance of doubt, any Noteholder who does not exercise any such right of revocation in the circumstances and in the manner specified above, shall be deemed to have waived such right of revocation and its original Voting Instruction will remain effective.

The exercise of any such right of revocation will be effective for the purposes of revoking the instruction given by the relevant Noteholder for the appointment of one or more representatives of the Tabulation Agent as the relevant Noteholder's proxy to vote at the Meeting on such Noteholder's behalf, only if a valid Revocation Instruction is received by the Tabulation Agent no later than 48 hours before the Meeting.

PROCEDURES IN RELATION TO THE MEETINGS

A Notice convening a separate Meeting of the holders of each Series of Existing Notes, to be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ on 22 September 2011 at the time specified therein is set out in Appendix A (*Form of Notice of Meeting and Extraordinary Resolution*) to this Consent Solicitation Memorandum and will, on or around the date of this Consent Solicitation Memorandum, be (i) published on the website of the Luxembourg Stock Exchange (www.bourse.lu), (ii) delivered via Euroclear and Clearstream, Luxembourg, (iii) published in the Financial Times and Luxemburger Wort and (iv) via a Notifying News Service.

At such Meeting there will be proposed the Extraordinary Resolution set out in the Notice. The procedures for voting at the relevant Meeting are described in the Notice.

Noteholders who have properly submitted (and not revoked) an Early Voting Instruction in accordance with the terms and conditions set out in this Consent Solicitation Memorandum, appointing a proxy to vote in favour of the relevant Extraordinary Resolution on their behalf, and which is received by the Tabulation Agent on or prior to the Early Submission Deadline will, subject as provided under "Consent Transaction Conditions" be entitled to receive the applicable Early Voting Fee.

The submission of a Voting Instruction by a Noteholder will constitute an instruction to block the relevant Ineligible Noteholder's Existing Notes in the relevant Clearing System account from the date the Voting Instruction is submitted until the earlier of: (i) conclusion of the Meeting and any adjourned Meeting (in the event that the Extraordinary Resolution is not passed) and; (ii) the withdrawal of the Voting Instruction in accordance with the rights set out in "*Amendment and Termination – Revocation Rights*".

Noteholders who do not give a Voting Instruction in connection with the Extraordinary Resolution can attend and vote in person at the relevant Meeting or appoint a person other than the Tabulation Agent's representative to attend and vote on their behalf at the Meeting or make other arrangements to vote at the Meeting by following the procedures outlined in the Notice but will not be entitled to receive the applicable Early Voting Fee.

The quorum at an initial meeting is one or more persons holding or representing not less than a clear majority in aggregate nominal amount of the outstanding Existing Notes of the relevant Series. In the event that the required quorum is not obtained at the first Meeting, an adjourned Meeting may be convened to take place not less than 13 clear days nor more than 42 clear days after the initial Meeting (subject to a notice period of at least 10 days (exclusive of the day on which the notice is given and the day on which the adjourned Meeting is to be held)).

To be passed at the first Meeting, an Extraordinary Resolution requires a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three-fourths of the votes cast on such poll.

In order for the Meeting to be quorate at an adjourned meeting, one or more persons holding or representing Notes (whatever the aggregate nominal amount of Notes so held or represented) of the relevant Series should be present or represented at the adjourned Meeting.

The Extraordinary Resolution will be passed at an adjourned meeting if approved by not less than three-fourths of the persons voting thereat upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three quarters of the votes cast on such poll.

If passed, the Extraordinary Resolution will be binding upon all Existing Noteholders of the relevant Series, whether present or represented at the Meeting at which it is passed and whether or not voting.

THE ATTENTION OF THE EXISTING NOTEHOLDERS IS PARTICULARLY DRAWN TO THE QUORUM REQUIRED FOR THE MEETINGS AND ANY ADJOURNED MEETING. HAVING REGARD TO SUCH REQUIREMENTS, ALL NOTEHOLDERS ARE STRONGLY URGED EITHER TO ATTEND THE RELEVANT MEETING OR TO TAKE STEPS TO BE REPRESENTED AT SUCH MEETING, AS REFERRED TO IN THE NOTICE, AS SOON AS POSSIBLE.

Early Voting Fee

In order to be eligible to receive the Early Voting Fee in respect of the relevant Series of Existing Notes, a Noteholder must vote in favour of the relevant Extraordinary Resolution and make the representations warranties and undertakings set out below.

Agreements, Acknowledgements, Representations, Warranties and Undertakings to be given by a Noteholder on submission of a Voting Instruction

By submitting a valid Voting Instruction to the relevant Clearing System in accordance with the standard procedures of such Clearing System, a Noteholder and any Direct Participant submitting such Voting Instruction on such Noteholder's behalf shall be deemed to agree, and acknowledge, represent, warrant and undertake, to the Issuer, the Guarantors, the Tabulation Agent and the Dealer Manager at the Expiration Deadline and the time of settlement on the Settlement Date (if a Noteholder or Direct Participant is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such Noteholder or Direct Participant should contact the Tabulation Agent immediately) that:

- (a) it is a holder of the Notes;
- (b) it has received the Notice of Meeting, and has reviewed and accepts the offer and distribution restrictions, terms, conditions, risk factors and other considerations relating to the relevant Consent Solicitation as set out in the Consent Solicitation Memorandum, and has undertaken an appropriate analysis of the implications of the relevant Extraordinary Resolution, without relying on the Issuer, the Guarantors, the Dealer Manager, the Trustee or the Tabulation Agent;
- (c) by blocking the relevant Existing Notes in the relevant Clearing System, it will be deemed to consent to have such Clearing System provide details concerning its identity to the Tabulation Agent (and for the Tabulation Agent to provide such details to the Issuer and the Dealer Manager, and their respective legal advisers);
- (d) it gives instructions for the appointment of one or more representatives of the Tabulation Agent by the Existing Principal Paying Agent as its proxy to vote in favour of the relevant Extraordinary Resolution at the Meeting (including any adjourned Meeting) in respect of all the Existing Notes of the relevant Series in its account blocked in the relevant Clearing System and agrees that it will not make any arrangements to abstain from voting in respect of the Extraordinary Resolution;
- (e) all authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations shall be binding upon its successors, assigns, heirs, executors, Trustee in bankruptcy and legal representatives, and shall not be affected by, and shall survive, its death or incapacity or that of the party on whose behalf such holder is acting;
- (f) no information has been provided to it by the Issuer, the Guarantors, the Dealer Manager, the Trustee or the Tabulation Agent, or any of their respective directors or employees, with regard to the tax consequences for Noteholders arising from the relevant Extraordinary Resolution, and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction in connection with the relevant Extraordinary Resolution, and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Issuer, the Guarantor, the Dealer Manager, the Trustee or the Tabulation Agent, or any of their respective directors or employees, or any other person in respect of such taxes and payments;
- (g) it holds and will hold, the Existing Notes of the relevant Series blocked in the relevant Clearing System and, in accordance with the requirements of, and by the deadline required by, such Clearing System, it has submitted, or has caused to be submitted, an instruction to such Clearing System to authorise the blocking of the Existing Notes of the relevant Series with effect on and from the date of such submission so that no transfers of such Existing Notes may be effected until the earlier of (i) conclusion of the relevant Meeting and any Adjourned Meeting (if the Extraordinary Resolution is not passed); and (ii) the withdrawal of the Early Voting Instruction in accordance with the rights set out in "*Amendment and Termination – Revocation Rights*" all in accordance with the normal operating procedures of such Clearing System, and after taking into account the deadlines imposed by such Clearing System;
- (h) it has full power and authority to deliver the Early Voting Instruction and give the relevant voting instruction in respect of the relevant Extraordinary Resolution;
- (i) None of the Issuer, the Guarantors, the Dealer Manager, the Trustee or the Tabulation Agent has given it any information in relation to the Consent Solicitations save as set out in the Consent Solicitation Memorandum or the Notice of Meeting nor has any of them made any recommendation as to whether it

should participate in the Consent Solicitations;

- (j) it shall indemnify the Issuer, the Guarantors, the Dealer Manager and the Tabulation Agent against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which any of them may incur or which may be made against any of them as a result of any breach of any of the terms of, or any of the acknowledgements, representations, warranties and/or undertakings given by any such holder; and
- (k) if, for New Zealand income tax purposes, it is a resident of New Zealand or is engaged in business in New Zealand through a fixed establishment in New Zealand, it will hold, at the date or dates of payment to it of cash amounts in connection with the Consent Solicitations, a valid certificate of exemption for New Zealand resident withholding tax purposes.

General

Binding

A valid Voting Instruction, upon receipt by the relevant Clearing System and the Tabulation Agent, will constitute a binding agreement between the relevant Noteholder and the Issuer in accordance with its terms, and subject to the conditions, set forth in this Consent Solicitation Memorandum and the Voting Instruction.

Voting Instructions other than in accordance with the procedures set out in this section will not be accepted

Subject as set out under "*Procedures in relation to the Meeting – Irregularities*" below, Noteholders will only be eligible to receive the Early Voting Fee by submitting a valid Voting Instruction in accordance with the procedures set out in this section "*Procedures for in relation to the Meeting*". Noteholders should not send Voting Instructions to the Issuer or the Dealer Manager.

Irrevocability

The submission of a valid Voting Instruction in accordance with the procedures set out in this section "*Procedures in relation to the Meeting*" will be irrevocable (except in the limited circumstances described in "*Amendment and Termination – Revocation Rights*").

Irregularities

All questions as to the validity, form, eligibility and valid revocation (including times of receipt) of any Voting Instruction will be determined by the Issuer, in its sole discretion, which determination shall be final and binding.

The Issuer reserves the absolute right to reject any and all Voting Instructions and Revocation Instructions not in the proper form. The Issuer also reserves the absolute right to waive any defects, irregularities or delay in the submission of any and all Voting Instructions or Revocation Instructions. The Issuer also reserves the absolute right to waive any such defect, irregularity or delay in respect of particular Existing Notes, whether or not the Issuer elects to waive similar defects, irregularities or any delay in respect of other Existing Notes of the same Series.

Any defect, irregularity or delay must be cured within such time as the Issuer determines, unless waived by it. The Voting Instruction will be deemed not to have been made until such defects, irregularities or delays have been cured or waived. None of the Issuer, the Guarantors, the Dealer Manager or the Tabulation Agent shall be under any duty to give notice to a Noteholder of any defects, irregularities or delays in any Voting and Revocation Instruction, nor shall any of them incur any liability for failure to give such notice.

Governing Law

The Consent Solicitations, any Voting Instruction, any Revocation Instruction and any non-contractual obligations arising out of or in connection with the foregoing shall be governed by and construed in accordance with English law. By submitting a Voting Instruction or Revocation Instruction, the relevant Noteholder irrevocably and unconditionally agrees for the benefit of the Issuer, the Dealer Manager and the Tabulation Agent that the courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Consent Solicitations or any of the documents referred to above and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

TAX CONSEQUENCES

In view of the number of different jurisdictions where tax laws may apply to a Noteholder, this Consent Solicitation Memorandum does not discuss the tax consequences for Noteholders arising from the submission of an Early Voting Instruction. Noteholders are urged to consult their own professional advisers regarding these possible tax consequences under the laws of the jurisdictions that apply to them or to the submission of an Early Voting Instruction. Noteholders are liable for their own taxes and have no recourse to the Issuer, the Guarantors, the Dealer Manager or the Tabulation Agent with respect to any taxes arising in connection with the Consent Solicitations.

DEALER MANAGER AND AGENT

The Issuer has retained Citigroup Global Markets Limited to act as Dealer Manager for the Consent Solicitations, and Citibank, N.A. to act as Tabulation Agent. The Issuer has entered into a Dealer Manager Agreement with the Dealer Manager which contains certain provisions regarding payment of fees, expense reimbursement and indemnity arrangements relating to the Consent Solicitations.

The Dealer Manager and its respective affiliates may contact Noteholders regarding the Consent Solicitations and may request brokerage houses, custodians, nominees, fiduciaries and others to forward this Consent Solicitation Memorandum and related materials to Noteholders.

None of the Dealer Manager, the Tabulation Agent or any of their respective directors, employees or affiliates assumes any responsibility for the accuracy or completeness of the information concerning the Issuer, the Guarantors, any of their respective affiliates, the Consent Solicitations or the Existing Notes contained in this Consent Solicitation Memorandum or for any failure by the Issuer or the Guarantors to disclose events that may have occurred and may affect the significance or accuracy of such information.

The Dealer Manager may submit Voting Instructions for its own account and vote in relation to the Consent Solicitations on behalf of other Noteholders. The Dealer Manager and/or its affiliates may have a holding in, or may from time to time provide advice or other investment services in relation to, or engage in transactions involving, the Existing Notes.

The Dealer Manager and its respective affiliates has provided and may continue to provide certain investment banking services to the Issuer and the Guarantors for which it has received and may receive compensation that is customary for services of such nature.

None of the Dealer Manager, the Tabulation Agent, the Issuer, the Guarantors, the Trustee or any of their respective directors, employees or affiliates makes any representation or recommendation whatsoever regarding the Consent Solicitations, or any recommendation as to whether Noteholders should vote in favour of the relevant Extraordinary Resolution.

The Tabulation Agent is the agent of the Issuer and owes no duty to any Noteholders.

APPENDIX A
FORM OF NOTICE OF MEETING AND EXTRAORDINARY RESOLUTION

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS. IF NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD SEEK THEIR OWN FINANCIAL ADVICE, INCLUDING AS TO ANY TAX CONSEQUENCES, IMMEDIATELY FROM THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL OR LEGAL ADVISER.

TCNZ FINANCE LIMITED

(incorporated in New Zealand with limited liability)

(the "Company")

NOTICE OF MEETING

to the holders of its

GBP 125,000,000 5.625 per cent. Notes due 2018 (ISIN XS0168222056)

(the "Existing 2018 Notes")

and

GBP 150,000,000 5.75 per cent. Notes due 2020 (ISIN XS0216258177)

(the "Existing 2020 Notes")

(together the "Existing Notes")

NOTICE IS HEREBY GIVEN that separate meetings (each a "Meeting" and together the "Meetings") of holders of the Existing Notes of each Series (the "Noteholders") convened by the Company will be held at the offices of Clifford Chance LLP at 10 Upper Bank Street, Canary Wharf, London E14 5JJ commencing at 11:00 a.m., London time, on 22 September 2011 in respect of the Existing 2018 Notes, with the Meeting in respect of the Existing 2020 Notes being held 5 minutes thereafter or upon conclusion or adjournment of the previous Meeting (whichever is the later). The Meetings are being convened for the purpose of considering and, if thought fit, passing the following form of resolution in respect of each Series which will be proposed as an Extraordinary Resolution in accordance with the provisions of the third supplemental trust deed dated 19 December 2002 which further modified the trust deed dated 17 March 2000 (as previously modified and/or restated) between the Issuer, the Guarantors and The Law Debenture Trust Corporation p.l.c. as trustee for the Noteholders (the "Trustee") in respect of the Existing 2018 Notes and the fifth supplemental trust deed dated 28 February 2005 which further modified and restated the trust deed dated 17 March 2000 (as previously modified and/or restated) in respect of the Existing 2020 Notes (each a "Trust Deed"), and constituting the Notes. Capitalised terms used but not defined in this Notice have the meanings given to them in the Trust Deed or the terms and conditions of the Notes (the "Conditions") contained in the First Schedule to the Trust Deed.

EXTRAORDINARY RESOLUTION

"THAT this meeting of the holders of the [GBP 125,000,000 5.625 per cent. Notes due 2018 (ISIN XS0168222056)] [GBP 150,000,000 5.75 per cent. Notes due 2020 (ISIN XS0216258177)] (the "Notes") issued by TCNZ Finance Limited (the "Company") and constituted by the trust deed dated 17 March 2000, as amended, modified and/or restated in respect of the Notes (the "Trust Deed") made by, among others, the Company in its capacity as issuer and The Law Debenture Trust Corporation p.l.c. as trustee (the "Trustee") for the Noteholders, hereby:

1. waives any Event of Default (as defined in the Conditions) which may arise as a result of the proposed Demerger (as defined in the offer memorandum dated 31 August 2011 and the consent solicitation memorandum dated 31 August 2011);

2. sanctions every abrogation, modification or compromise of, or arrangement in respect of, the rights of the Noteholders appertaining to the Notes against the Company and the Guarantors, whether or not such rights arise under the Trust Deed, involved in or resulting from or to be effected by this Extraordinary Resolution and its implementation;
3. authorises, directs, requests and empowers the Trustee to concur in, and execute and do all such other deeds, instruments, acts and things as may be necessary, desirable or expedient, in the sole discretion of the Trustee, to carry out and give effect to this Extraordinary Resolution; and
4. discharges and exonerates the Trustee from all liability for which it may have become or may become responsible under the Trust Deed or the Notes or otherwise in respect of any act or omission in connection with this Extraordinary Resolution or its implementation."

Background

The Company has convened the Meetings for the purpose of enabling Noteholders of each Series of Existing Notes to consider and resolve, if they think fit, to pass the Extraordinary Resolution proposed in relation to the relevant Series of Existing Notes. The background as to why Noteholders of each Series of Existing Notes are being asked to consider the Extraordinary Resolution proposed in relation to the relevant Series of Existing Notes is set out in the offer memorandum (the "**Offer Memorandum**") and the Consent Solicitation Memorandum (the "**Consent Solicitation Memorandum**"), each dated 31 August 2011, relating to the Existing Notes.

The Trustee has not been involved in the formulation of the Extraordinary Resolutions and the Trustee expresses no opinion on the merits of the Extraordinary Resolutions or as to whether Noteholders would be acting in their best interests in approving the Extraordinary Resolutions, and nothing in this Notice should be construed as a recommendation to Noteholders from the Trustee to vote in favour of, or against, the Extraordinary Resolutions. Noteholders should take their own independent financial and legal advice on the merits and on the consequences of voting in favour of, or against, the relevant Extraordinary Resolution, including as to any tax consequences. On the basis of the information set out in this Notice and the Offer Memorandum, the Trustee has authorised it to be stated that the Trustee has no objection to the Extraordinary Resolutions being put to Noteholders for their consideration.

Subject to the offer and distribution restrictions set out in the Offer Memorandum, Noteholders may obtain, from the date of this Notice, a copy of the Offer Memorandum from the Tabulation and Exchange Agent, the contact details for whom are set out below. A Noteholder will be required to produce evidence satisfactory to the Tabulation and Exchange Agent or the Dealer Manager as to his or her status as a Noteholder and that he or she is a person to whom the exchange offers referred to in the Offer Memorandum are being made (pursuant to the offer and distribution restrictions referred to above) or to whom it is lawful to send the Offer Memorandum and to make an invitation under applicable laws before being sent a copy of the Offer Memorandum. Noteholders may obtain, from the date of this Notice, a copy of the Consent Solicitation Memorandum from the Tabulation and Exchange Agent.

Voting and Quorum

The provisions governing the convening and holding of a meeting of the Noteholders are set out in the Third Schedule to the Trust Deed, a copy of which is available for inspection by the Noteholders during normal business hours at the offices of the Existing Principal Paying Agent.

*Each person (a "**beneficial owner**") who is the owner of a particular principal amount of the Notes through Euroclear, Clearstream, Luxembourg or a person who is shown in the records of Euroclear or Clearstream, Luxembourg as a holder of the Existing Notes (a "**Direct Participant**"), should note that the Existing Notes are held by a common depositary on behalf of Euroclear and Clearstream Luxembourg. A beneficial owner will only be entitled to attend and vote at the Meeting in accordance with the procedures set out below and where a beneficial owner is not a Direct Participant it will need to make the necessary arrangements either directly or with the other intermediary through which it holds its Existing Notes for the Direct Participant to complete these procedures on its behalf.*

1. A Noteholder who wishes to attend and vote at the relevant Meeting and any adjourned such Meeting in person must produce at the Meeting a valid Voting Certificate issued by a Paying Agent.

A Noteholder may obtain a Voting Certificate in respect of its Existing Notes from a Paying Agent by arranging for its Notes to be blocked in an account with Euroclear or Clearstream, Luxembourg (unless the Note is the subject of a block voting instruction which has been issued and is outstanding in respect of the relevant Meeting or any adjourned such Meeting) not less than 48 hours (as defined in the Trust Deed) before the time fixed for the Meeting (or, if applicable, any adjourned such Meeting) and, within the relevant time limit specified by Euroclear or Clearstream, Luxembourg, (each a clearing system and together the "**Clearing Systems**") as the case may be, upon terms that the Existing Notes will not cease to be so blocked until the first to occur of the conclusion of the relevant Meeting or any adjourned such Meeting and the surrender of the Voting Certificate to the Paying Agent and notification by the Paying Agent to the relevant Clearing System of such surrender or the compliance in such other manner with the rules of the relevant Clearing System.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver the Voting Certificate(s) to the person whom it wishes to attend on its behalf or give a voting instruction in accordance with the standard procedures of the relevant Clearing System to, and require a Paying Agent to, include the votes attributable to its Existing Notes in a block voting instruction issued by the Paying Agent for the Meeting or any adjourned such Meeting, in which case the Paying Agent shall appoint a proxy to attend and vote at the Meeting in accordance with such Noteholder's instructions.

If a Noteholder wishes the votes attributable to its Existing Notes to be included in a block voting instruction for the relevant Meeting or any adjourned such Meeting, then (i) the Noteholder must arrange for its Existing Notes to be blocked in an account with the relevant Clearing System for that purpose and (ii) the Noteholder or a duly authorised person on its behalf must instruct a Paying Agent as to how those votes are to be cast in accordance with the procedures of the relevant Clearing System, not less than 48 hours before the time fixed for the relevant Meeting (or, if applicable, any adjourned such Meeting) and within the time limit specified by the relevant Clearing System upon terms that the Existing Notes will not cease to be so blocked until the first to occur of (i) the conclusion of the relevant Meeting or any adjourned such Meeting and (ii) not less than 48 hours before the time for which the relevant Meeting is convened, the notification in writing of any revocation of a Noteholder's previous instructions to the Paying Agent, and the same then being notified in writing by the Paying Agent to the Issuer at least 24 hours (as defined in the Trust Deed) before the time appointed for holding the Meeting and such Existing Notes ceasing in accordance with the procedures of the relevant Clearing System and with the agreement of the Paying Agent to be held to its order or under its control, and that such instruction is, during the period commencing 48 hours prior to the time for which the relevant Meeting or any adjourned such Meeting is convened and within the time limit specified by the relevant Clearing System and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment.

2. The quorum required for the Meeting is one or more persons present holding Voting Certificates or being proxies or representatives and holding or representing in the aggregate not less than a clear majority in the nominal amount of the Existing Notes of the relevant Series for the time being outstanding. In the event such quorum is not obtained at the relevant Meeting, the Meeting will be adjourned for not less than 13 clear days nor more than 42 clear days (subject to a notice period of at least 10 clear days). At any adjourned Meeting any one or more persons present holding Voting Certificates or being proxies or representatives and holding or representing Notes (no matter what the aggregate principal amount of Existing Notes of the relevant Series so held or represented) will form a quorum.

Voting Certificates obtained and voting instructions given in respect of the relevant Meeting in accordance with the procedures of the relevant Clearing System, including pursuant to an Exchange Instruction or Early Voting Instruction, (unless revoked in accordance with the procedures of the relevant Clearing System) shall remain valid for such adjourned Meeting.

3. To be passed at the relevant Meeting, the Extraordinary Resolution requires a majority of consisting of not less than three-fourths of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes cast on such poll. If passed, the relevant Extraordinary Resolution shall be binding on all Noteholders of the Relevant Series, whether or not present or represented at the Meeting at which it is passed and whether or not voting.

This Notice is given by TCNZ Finance Limited.

Noteholders should contact the following for further information:

The Dealer Manager

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom
Attention: Liability Management Group
Tel: +44 207 986 8969
Email: liabilitymanagement.europe@citi.com

The Tabulation and Exchange Agent

Citibank, N.A.
Citigroup Centre, Canada Square
Canary Wharf
London E14 5LB
United Kingdom
Tel: +44 (0) 20 7508 3867
Email: exchange.gats@citi.com

The Existing Principal Paying Agent

Citibank, N.A.
Citigroup Centre, Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Dated: 31 August 2011

THE COMPANY

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Auckland 1142
New Zealand

DEALER MANAGER

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