

TCNZ FINANCE LIMITED ANNOUNCES EXCHANGE OFFERS AND CONSENT SOLICITATIONS

NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO ANY US PERSON (AS DEFINED IN REGULATIONS UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED)

31 August 2011

TCNZ Finance Limited (the "**Issuer**") has today launched an invitation to the Eligible Noteholders of its 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**") to offer to exchange any and all of their holdings of such Existing 2018 Notes (the "**2018 Exchange Offer**") for an equal principal amount of new GBP denominated 6.75 per cent. Notes due 2020 (the "**New 2020 Notes**") to be issued by Chorus Limited ("**Chorus**") under its U.S.\$2,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), together with Accrued Interest. Eligible Noteholders who validly offer to exchange their Existing 2018 Notes prior to 4.00 p.m. London time on 9 September 2011 (the "**Early Submission Deadline**") (and do not subsequently revoke such offer) will be entitled to receive in cash an early exchange fee of GBP 20.00 per GBP 1,000 in aggregate principal amount of such Existing 2018 Notes accepted for exchange by the Issuer.

The Issuer has also launched an invitation to the Eligible Noteholders of its 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**") to offer to exchange any and all of their holdings of such Existing 2020 Notes (the "**2020 Exchange Offer**" and, together with the 2018 Exchange Offer, the "**Exchange Offers**") for an equal principal amount of New 2020 Notes (to form a single series with the New 2020 Notes issued in exchange for the Existing 2018 Notes) together with Accrued Interest. Eligible Noteholders who validly offer to exchange their Existing 2020 Notes prior to the Early Submission Deadline (and do not subsequently revoke such offer) will be entitled to receive in cash an early exchange fee of GBP10.00 per GBP 1,000 in aggregate principal amount of such Existing 2020 Notes accepted for exchange by the Issuer.

Concurrently, the Issuer is soliciting consents 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**") providing for 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 described below).

The Exchange Offers are made on the terms, and subject to the conditions, contained in the exchange offer memorandum dated 31 August 2011 (the "**Offer Memorandum**"). Capitalised terms used in this announcement have the same meanings ascribed to them in the Offer Memorandum. The Meetings have been convened at 11.00 a.m. (London time) on 22 September 2011 pursuant to a notice of meeting dated 31 August 2011 (the "**Notice of Meeting**").

Rationale

In March 2009, the New Zealand Government released its Ultra Fast Broadband ("**UFB**") initiative. The essence of the UFB initiative is to create partnerships between the Crown and private investors to deploy fibre network infrastructure. On 24 May 2011, the New Zealand Government announced that it had concluded negotiations with Telecom Corporation of New Zealand Limited ("**Telecom**") for its business unit "Chorus" to take a cornerstone role in the UFB initiative. Under the terms of the agreement, "Chorus" is required to become a new, separately listed company to be known as Chorus Limited completely independent of Telecom (the "**Demerger**").

The Demerger will be implemented by way of a scheme of arrangement approved by the High Court of New Zealand. The implementation of the Demerger requires, among other things, that Telecom obtain approval of 75% or more of Telecom shareholders entitled to vote and voting on the arrangement. Assuming the Demerger proceeds, it will be implemented through the transfer of all of the Chorus Limited shares held by Telecom to eligible Telecom shareholders.

The Exchange Offers are being carried out in order to allow Telecom to manage the debt profiles of the Telecom and Chorus businesses following the Demerger. The Demerger could also result in an Event of Default under the Conditions of the Notes and the Issuer is therefore seeking the approval of Noteholders to waive any such Event of Default. The Issuer 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.

Review by Association of British Insurers

The Proposals 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 with respect to 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 the Offer 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.

Participating in the Exchange Offer and the Consent Solicitations

An offer to exchange Existing 2018 Notes or Existing 2020 Notes may only be made by the submission of a valid Exchange Instruction by an Eligible Noteholder in a minimum denomination of GBP100,000. The submission of an Exchange Instruction by a Noteholder in respect of the Existing 2018 Notes or the Existing 2020 Notes will automatically instruct the Existing Principal Paying Agent to appoint the Tabulation and Exchange Agent (or its representative) as its proxy to attend the relevant Meeting and to vote in favour of the Extraordinary Resolution. Exchange Instructions must be submitted prior to the Expiration Deadline of 11:00 am (London time) on 20 September 2011.

Existing 2018 Noteholders and Existing 2020 Noteholders who do not participate in the Exchange Offers (including those who are ineligible so to participate) will, subject to the delivery of a valid Early Voting Instruction in favour of the relevant Extraordinary Resolution prior to the Early Submission Deadline and subject to satisfaction of the Consent Transaction Conditions, 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. The Early Voting Fee will be GBP 5.00 per GBP 1,000 in aggregate principal amount of Existing 2020 Notes, and GBP 5.00 per GBP 1,000 in aggregate principal amount of Existing 2018 Notes.

Completion of the Exchange Offers and payment of the relevant Early Exchange Fee or Early Voting Fee (as applicable) is dependent on the satisfaction (or, where applicable, waiver) of a number of Transaction Conditions as further described in the Offer Memorandum, including the grant of Final Orders in respect of the Demerger by the High Court of New Zealand. The latest date for satisfaction (or waiver) of the Transaction Conditions is 31 December 2011. The Issuer currently expects that settlement of the Exchange Offers and payment of the relevant Early Exchange Fee or Early Voting Fee (as applicable) will occur on 30 November 2011.

Unless stated otherwise, announcements in connection with the Exchange Offers and the Consent Solicitation 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 and Exchange Agent.

For further information:

A complete description of the terms and conditions of the Exchange Offers (including the Base Prospectus for the Programme) is set out in the Offer Memorandum. A complete description of the procedures in relation to the Meetings, and the text of the proposed Extraordinary Resolutions is set out in the Notice of Meeting and a consent solicitation memorandum dated 31 August 2011 (the "**Consent Solicitation Memorandum**"). Further details about the transaction can be obtained from:

The Dealer Manager:

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom
Tel: +44(0) 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

Copies of the Offer Memorandum, the Consent Solicitation Memorandum and the Notice of Meeting are available to eligible persons upon request from the Tabulation and Exchange Agent.

The Dealer Manager does not take responsibility for the contents of this announcement and none of the Issuer, the Guarantors, the Dealer Manager, the Tabulation and Exchange Agent, or any of their respective directors, employees or affiliates makes any representation or recommendation whatsoever regarding the Exchange Offers or the Consent Solicitations, or any recommendation as to whether holders of Notes should submit Notes for exchange pursuant to the Exchange Offers or vote in respect of the Extraordinary Resolutions. This announcement must be read in conjunction with the Offer Memorandum and the Notice of Meeting. This announcement, the Notice of Meeting and the Offer Memorandum contain important information, which should be read carefully before any decision is made with respect to the Exchange Offers and the Consent Solicitations. If any holder of Notes is in any doubt as to the action it should take, it is recommended to seek its own advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant or other independent adviser.

Jurisdictional Restrictions:

This announcement and the Offer Memorandum do not constitute an invitation to participate in the Exchange Offers in or from any jurisdiction in or from which, or to or from any person to or from whom, it is unlawful to make such invitation under applicable securities laws. The distribution of the Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession the Offer Memorandum comes are required by each of the Issuer, the Dealer Manager and the Tabulation and Exchange Agent to inform themselves about and to observe, any such restrictions.

United States

The Exchange Offers are not being made and will not be made directly or indirectly in or into, or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States or to, or for the account or benefit of, any U.S. person (within the meaning of Regulation S under the Securities Act). This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone and the internet. Accordingly, copies of the Offer Memorandum and any other offer memoranda, documents or materials relating to the Offers are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or Trustee) in or into the United States or to U.S. persons and Existing 2018 Notes and Existing 2020 Notes cannot be offered for exchange in the Exchange Offers by any such use, means, instruments or facilities or from within the United States or by U.S. persons. Any purported offer of Existing 2018 Notes and Existing 2020 Notes for exchange resulting directly or indirectly from a violation of these restrictions will be invalid and any purported offer of Existing 2018 Notes and Existing 2020 Notes for exchange made by a person located in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a nominee giving instructions from within the United States or any U.S. person will not be accepted.

The Offer Memorandum is not an offer of securities for sale in the United States or to U.S. persons. Securities may not be offered or sold in the United States absent registration or an exemption from registration. The New 2020 Notes have not been, and will not be, registered

under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from the registration requirements of the Securities Act and applicable state security laws. The purpose of the Offer Memorandum is limited to the Offers and the Consent Solicitations and the Offer Memorandum may not be sent or given to a person in the United States or to a U.S. person or otherwise to any person other than in an offshore transaction in accordance with Regulation S under the Securities Act.

Each Eligible Noteholder participating in an Exchange Offer will represent that it is not located in the United States and is not participating in the relevant Exchange Offer from the United States, that it is participating in the relevant Exchange Offer in accordance with Regulation S under the Securities Act and is not a U.S. person, or that it is acting on a non-discretionary basis for a principal located outside the United States that is not giving an order to participate in the Exchange Offer from the United States and is not a U.S. person. For the purposes of this and the above two paragraphs, "**United States**" means United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

United Kingdom

The communication of the Offer Memorandum and any other offer memoranda, documents or materials relating to the Exchange Offers 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 FSMA. Accordingly, such offer memoranda, documents and/or materials are not being distributed to, and must not be communicated to, the general public in the United Kingdom. The communication of such offer memoranda, documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**")) or any other persons to whom it may otherwise lawfully be made under the Order.

Belgium

Neither the Offer Memorandum nor any other offer memoranda, documents or materials relating to the Exchange Offers have been submitted to or will be submitted for approval or recognition to the Belgian Banking, Finance and Insurance Commission (*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financier- en Assurantiewezen*) and, accordingly, the Exchange Offers may not be made in Belgium by way of a public offering, as defined in Article 3 of the Belgian Law of 1 April 2007 on public takeover bids or as defined in Article 3 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets (together, the "**Belgian Public Offer Law**"), each as amended or replaced from time to time. Accordingly, the Exchange Offers may not be advertised and the Exchange Offers will not be extended, and neither the Offer Memorandum nor any other offer memoranda, documents or materials relating to an Exchange Offer (including any memorandum, information circular, brochure or any similar offer memoranda or documents) has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than "*qualified investors*" in the sense of Article 10 of the Belgian Public Offer Law (as amended from time to time), acting on their own account. Insofar as Belgium is concerned, the Offer Memorandum has been issued only for the personal use of the above

qualified investors and exclusively for the purpose of the Exchange Offers. Accordingly, the information contained in the Offer Memorandum may not be used for any other purpose or disclosed to any other person in Belgium.

France

The Exchange Offers are not being made, directly or indirectly, to the public in the Republic of France ("**France**"). Neither the Offer Memorandum nor any other offer memorandum, document or material relating to the Exchange Offers has been or shall be distributed to the public in France and only qualified investors (*Investisseurs Qualifiés*) other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 and D.411.3 of the French Code Monétaire et Financier are eligible to participate in the Exchange Offer. The Offer Memorandum has not been submitted for clearance to, or approved by, the *Autorité des Marchés Financiers*.

Italy

None of the Exchange Offers, the Offer Memorandum or any other documents or materials relating to the Exchange Offers have been or will be submitted to the clearance procedure of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**"). The Exchange Offers are being carried out in the Republic of Italy (Italy) as exempted offers pursuant to article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and article 35-bis, paragraph 3, of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**CONSOB Regulation**"). The Exchange Offers are not available to investors located in Italy that do not qualify as qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Financial Services Act and Article 34-ter, paragraph 1, letter b) of the CONSOB Regulation ("**Ineligible Italian Investors**"). Ineligible Italian Investors may not participate in the Exchange Offers, and neither the Offer Memorandum nor any other documents or materials relating to the Existing Notes, the New 2020 Notes or the Exchange Offers may be distributed or made available to Ineligible Italian Investors. Holders or beneficial owners of the Notes that are located in Italy and qualify as qualified investors (*investitori qualificati*) can participate in the Exchange Offers through authorised persons and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

New Zealand

The Exchange Offers are not being made, directly or indirectly, to the public in New Zealand in terms of the Securities Act 1978 (New Zealand). In particular, but without limitation, the Exchange Offers may only be made either (A) to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money within the meaning of section 3(2)(a)(ii) of the Securities Act 1978, or (B) to any other persons in circumstances where there is no contravention of the Securities Act 1978. Neither the Offering Memorandum nor any other advertisement (as defined in the Securities Act 1978) relating to the Exchange Offers may be published, or distributed to any persons, in New Zealand (other than such persons referred to in (A) and (B) above).

Hong Kong

The Exchange Offers will not be made in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance ("**SFO**") and any rules made under that Ordinance or (ii) in other circumstances which do not result in the

document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. The Offer Memorandum, and any advertisement or invitation relating to the Exchange Offers will not be made available to the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Australia

The Exchange Offers are only available to persons in Australia who are 'professional investors' within the meaning of section 9 of the Corporations Act 2001 (Commonwealth) (Corporations Act) or 'wholesale clients' within the meaning of sections 761G(4) and 761G(7)(c) of the Corporations Act. The Offer Memorandum:

- (a) is not a disclosure document or a product disclosure statement for the purposes of the Corporations Act. The Offer Memorandum has not been and will not be lodged with the Australian Securities and Investments Commission (ASIC); and
- (b) does not contain all the information that a prospectus or a product disclosure statement is required to contain.

The distribution of the Offer Memorandum in Australia has not been authorised by ASIC or any other regulatory authority in Australia.

Canada

The Exchange Offers are not being made to, or for the account or benefit of any person resident in Canada or any person otherwise subject to applicable Canadian securities laws and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, multilateral or national instruments, orders, rulings and other regulatory instruments issued or adopted by any securities commission or similar regulatory authority in Canada.

No securities commission or similar regulatory authority in Canada has reviewed the offering memorandum or has in any way passed upon the merits of the securities offered hereunder nor has it reviewed this offering memorandum and any representation to the contrary is an offence.

General

The Offer Memorandum does not constitute an offer to sell or buy or a solicitation of an offer to sell or buy the Existing Notes and/or New 2020 Notes, as applicable, and the offer of the Existing Notes for exchange in the Exchange Offers will not be accepted from Noteholders in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities, blue sky or other laws require an Exchange Offer or the Consent Solicitations to be made by a licensed broker or dealer and the Dealer Manager or any of its respective affiliates is such a licensed broker or dealer in such jurisdictions, such Exchange Offer or the Consent Solicitations shall be deemed to be made by the Dealer Manager or such affiliate (as the case may be) on behalf of the Issuer in such jurisdictions.

In addition to the representations referred to above in respect of the United States, each holder of Existing Notes participating in the Exchange Offers will also be deemed to give

certain representations in respect of the other jurisdictions referred to above and generally as set out in "*Procedures for Participating in the Exchange Offers*" in the Offer Memorandum. Any offer of Existing Notes for exchange pursuant to the Exchange Offers from a Noteholder that is unable to make these representations will not be accepted. Each of the Issuer, the Guarantors, the Dealer Manager and the Tabulation and Exchange Agent reserves the right, in its absolute discretion, to investigate, in relation to any offer of Existing Notes for exchange pursuant to an Exchange Offer, whether any such representation given by a Noteholder is correct and, if such investigation is undertaken and as a result the Issuer determines (for any reason) that such representation is not correct, such offer shall not be accepted.