

Minutes of the 2011 Annual Meeting of Shareholders of Telecom Corporation of New Zealand Limited (the "Company")

<u>Date:</u>	26 October 2011
<u>Time:</u>	10.00am
<u>Venue:</u>	Rooms 1 & 2, SkyCity Convention Centre, 88 Federal Street, Auckland
<u>Apologies:</u>	None

Preliminary

The Chairman, Mr Boyd:

- Welcomed the shareholders to the meeting and declared the meeting open;
- Introduced the Group General Counsel & Company Secretary, Chief Financial Officer, Chief Executive Officer and Directors;
- Advised that the Group General Counsel & Company Secretary had confirmed that notice of the meeting had been duly given to all shareholders and other persons entitled to receive it;
- Confirmed that the quorum required for the meeting (of at least two shareholders) was met;
- Reported that proxies had been received in respect of approximately 1.3 billion shares, representing approximately 66% of total votes.

Chairman's Speech

The Chairman noted that the 2011 financial year had been one of the most pivotal in the Company's history. The Company had improved its cash generation, produced EBITDA growth (on an adjusted basis) and delivered a special dividend. The Company's focus was on cash generation and efficiency and on "getting it right the first time".

The Chairman mentioned that the 2011 financial year was also significant because the Company had won the majority of the Government's Ultra Fast Broadband ("UFB") initiative and had partnered with Vodafone to be selected to deliver the Government's Rural Broadband Initiative. One of the requirements of participating in the UFB initiative was that participants could not both own infrastructure and sell services directly to retail and business

customers. As such, Telecom could either not participate in UFB or demerge Chorus into a separate stand alone business that was eligible to participate.

The Chairman noted that the negotiation process had been extensive, and that the Telecom Board unanimously endorsed the ultimate demerger proposal.

The Chairman outlined the changes to the Board that would occur as part of demerger, provided a brief summary of the background of the incoming Chairman (Mark Verbiest) and noted that the Board had focused on ensuring the right mix of skills and diversity when appointing new members.

The CEO had, the Chairman stated, committed to seeing through the transition period, but had signalled his intention to leave office once that transition is complete. The job of recruiting a new CEO in the new financial year would fall to the new Board.

The Chairman commented that, in the last 12 months, the Company had outperformed the NZX50 by more than 30% (when taking into account both the increase in share price and the dividends paid).

CEO's Speech

The CEO, Dr Reynolds, stated that it was a historic day for Telecom even by the standards of the last few tumultuous years.

Dr Reynolds described the investor road show process (over 150 presentations on demerger had been made worldwide) and the opportunity that existed for Telecom and Chorus.

The CEO gave an overview of the changing telecommunications industry worldwide – the industry was becoming more central to daily life and customers demanded more services, better connections and greater speed and availability. However, customers were not prepared to pay more.

As a result, telecommunications industry revenues in developed markets remain flat notwithstanding the increase in use.

The CEO noted the high level of regulation in New Zealand – there had been three revised industry structures in the last five years. Under regulatory requirements, the Company had been required to invest substantially.

The CEO then outlined Vision 2013 and the impact it had had on financial performance, including that cash flow was up 53% on the 2010 financial year. Dr Reynolds briefly summarised performance in mobile (increasing connections and growth in higher revenue smartphones), broadband (customer growth to 1.1 million) and ICT (securing of new contracts).

The CEO summarised the key features of the Government's UFB initiative, and explained that Telecom in its current form had effectively been barred

from the initiative because of the requirement that any participant could not sell telecommunications services directly to the public.

Telecom had proposed to deal with this prohibition by demerging into two entities. Telecom considered that the proposal is the right model, and the CEO explained that the Board considered it was the right course of action because:

- Chorus could take a cornerstone role in the UFB initiative;
- It aligns the interests of Chorus with the Government's UFB interests;
- It avoids Telecom competing with a new Government backed fibre infrastructure player;
- Demerging should lead to a significantly simplified regulatory regime with greater certainty and reduced cost.

The CEO noted that Telecom and Chorus would be well positioned following the demerger and provided an overview of some of their respective key strengths. Both Telecom and Chorus would have strong Boards and Executive Teams.

Resolutions

The Chairman then moved to address each of the resolutions, and reported that a poll on each resolution would be conducted at the conclusion of the meeting.

Resolution 1: Demerger Resolution

The Chairman put the following special resolution to the meeting:

- "1. That the Separation Arrangement Plan (as defined, contained and described in the Scheme Booklet accompanying this notice of meeting), including:
- (a) the separation of the retail businesses and wholesale/infrastructure businesses of Telecom into New Telecom and New Chorus, the key elements of which are described in the Separation Arrangement Plan set out in section 16 of the Scheme Booklet; and
 - (b) with effect from the date of the Final Court Orders, the revocation of the existing constitution of Telecom and its replacement by a new constitution, a copy of which is tabled at the meeting and signed by the Chairman for the purposes of identification,

be and is hereby approved."

The Chairman reiterated that the Board unanimously supported the demerger resolution.

The Chairman enquired if there were any matters for discussion or questions concerning the motion. One shareholder asked whether the Chairman was

going to announce details of proxies held. The Chairman reiterated the details of proxies received as at proxy close.

Resolution 2: That Dr Murray Horn be re-elected as a director of the Company.

The Chairman advised that the Board supported the re-appointment of Dr Horn, and Dr Horn addressed the meeting in support of his proposed re-election.

The Chairman put the resolution to the meeting. There were no matters for discussion or questions raised.

Resolution 3: That Kevin Roberts be re-elected as a director of the Company.

The Chairman advised that the Board supported the re-appointment of Mr Roberts, and Mr Roberts addressed the meeting in support of his proposed re-election.

The Chairman put the resolution to the meeting. There were no matters for discussion or questions raised.

Resolution 4: That the directors are authorised to fix the Auditor's remuneration.

The Chairman briefly outlined the statutory auditor fees for the 2011 financial year. The Chairman put the resolution that the directors be authorised to fix the auditors' remuneration to the meeting. There were no matters for discussion or questions raised.

Shareholder Discussion

The Chairman advised that a number of Telecom shareholders had submitted questions to the Board prior to the meeting using the question form that was provided with the demerger scheme booklet.

There were fewer questions this year, possibly due to the extensive retail investor road shows and the volume of information contained in the scheme booklet. The Chairman responded to two of the common questions, which related to Executive remuneration and the size of the scheme booklet.

The Chairman noted that the Group General Counsel & Company Secretary had responded by letter to each shareholder who had submitted a question.

The Chairman invited questions from the floor. Mr John Hawkins, representing the New Zealand Shareholders Association, commented briefly on Executive remuneration. He also acknowledged the Company's recent improved performance, but stated that it was from a low base. Mr Hawkins then thanked the Chairman for his leadership during his tenure.

Polls

The Chairman asked for the polls on all resolutions to proceed, with the Company's Auditors, KPMG, acting as scrutineers. The Chairman announced that the meeting would be closed following the completion of the voting procedures.

The meeting (except for the vote counting and scrutineering) finished at approximately 11.15am.

The results of the polls were announced to the Exchanges later that day. Resolutions 1, 2 and 3 and 4 were passed.

Details of the total number of votes cast in person or by the proxy on the poll were:

Resolution	For	Against	Abstain
1. Approval of the Separation Arrangement Plan as outlined in the scheme booklet	1,270,407,018 (99.77%)	2,914,259 (0.23%)	3,470,613
2. That Dr Murray Horn be re-elected as a Director of the Company	1,262,584,881 (99.58%)	5,346,628 (0.42%)	9,306,227
3. That Mr Kevin Roberts be re-elected as a Director of the Company	1,159,463,247 (91.48%)	107,953,861 (8.52%)	9,371,738
4. That the directors are authorised to fix the remuneration of the Auditors	1,264,540,476 (99.79%)	2,649,476 (0.21%)	9,580,784

Details of the manner in which shareholders directed the proxy to vote at proxy close (and included above):

Proxies	For	Discretionary Board proxies	Discretionary other proxies	Against	Abstain
1. Approval of the Separation Arrangement Plan as outlined in the scheme booklet	1,267,433,083	956,767	6,589,885	2,914,559	3,480,613
2. That Dr Murray Horn be re-elected as a Director of the Company	1,258,014,467	2,403,234	6,751,560	5,339,372	9,286,274
3. That Mr Kevin Roberts be re-elected as a director of Telecom	1,155,035,923	2,366,941	6,710,493	107,874,859	9,356,691
4. That the directors are authorised to fix the remuneration of the auditors, KPMG	1,260,090,674	2,278,413	6,759,756	2,650,679	9,560,385

Confirmed as a correct record



Mr W Boyd – Chairman of the Meeting

Dated: 30 November 2011