



26 October 2011

MEDIA RELEASE

Telecom shareholders approve demerger proposal at Annual Meeting

Telecom's shareholders have today voted to approve the resolution to demerge Chorus.

Subject to the receipt of final court orders, Telecom will now separate its fixed line access infrastructure business, Chorus, to enable Chorus to take a leading role in the Ultra-fast Broadband (UFB) initiative.

99.8% of votes cast by Telecom's shareholders were voted in favour of the demerger proposal, which was unanimously supported by the Telecom board.

Following the demerger, "New Chorus" will be a stand-alone, separately listed company, allowing it to be the Crown's partner for approximately 70% of the Ultra-fast Broadband initiative.

The demerger will also enable the introduction of a new regulatory environment, along with the appointment of a new chairman and several new directors for Telecom, and a new board for Chorus.

Telecom Chairman Wayne Boyd will now retire from the Telecom board upon demerger, along with independent directors Ron Spithill and Sue Sheldon. Sue Sheldon will take up a new role as Chairman of Chorus.

"The shareholder vote marks a critical step in the creation of an entirely new structure for the telecommunications industry in New Zealand," said Telecom CEO Paul Reynolds.

“We are very pleased to have received our shareholders’ consent for this significant step, and Telecom’s focus is now on the swift enactment of the split, along with ensuring both companies are well positioned as New Zealand moves into the fibre future.”

The company will now move to finalise the demerger, via a court approved scheme of arrangement, expected to be by 30 November 2011.

“We have said throughout that we believe that our proposal is the right solution for Telecom, as well as the industry and New Zealand as a whole. It is pleasing to see such a high proportion of our shareholders supporting the demerger proposal,” he said.

Current Telecom directors Murray Horn and Kevin Roberts were also re-elected to the Telecom board, and will continue to serve post demerger.

Voting results

Shareholders were asked to vote on four resolutions, all of which were supported by the Board. All resolutions were decided by poll.

Resolutions passed by shareholders today were:

- Approval of the Separation Arrangement Plan as outlined in the scheme booklet
- Re-election of director Murray Horn, who was standing for re-election by rotation as required by relevant listing rules
- Re-election of director Kevin Roberts, who was standing for re-election by rotation as required by relevant listing rules
- Authorising the directors to fix the remuneration of the auditors, KPMG

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 Telecom	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 Telecom	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, KPMG	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 Telecom	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

With respect to the 2013 CAD 275 million EMTN bonds, Telecom has today issued a notice of its intention to invoke its redemption rights so as to repay these bonds before the Demerger Date.

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For more information please contact:

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