TELECOM NEW ZEALAND

H2 FY12 RESULT BRIEFING

Chief Executive Officer (Acting) – Chris Quin
Chief Financial Officer – Nick Olson

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H2 FY12 KEY MESSAGES

- Demerger successfully completed to create Telecom as a new fixed line and IT service provider and mobile network operator
  - Primary focus on customers and operational performance and strongest customer satisfaction scores to date

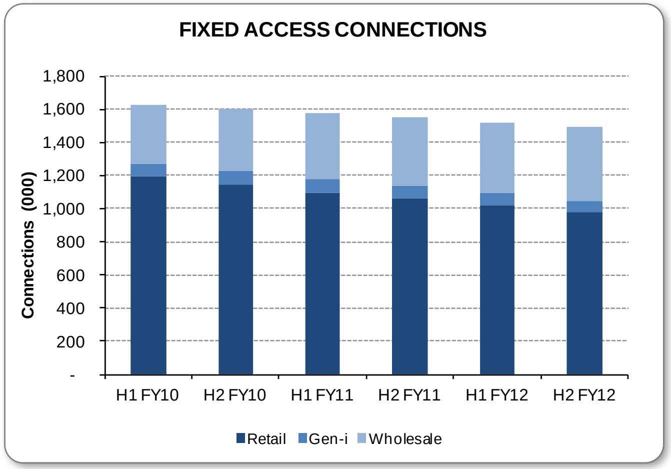
- FY12 financials in line with guidance, but comparison to prior periods is complex due to the demerger of Chorus
  - Adjusted revenues down 9%
  - Adjusted EBITDA from continuing operations of $1,048m
  - Total Adjusted Net Earnings of $422m
  - Capex from continuing operations of $392m
  - H2 FY12 dividend of 11c with 75% imputation

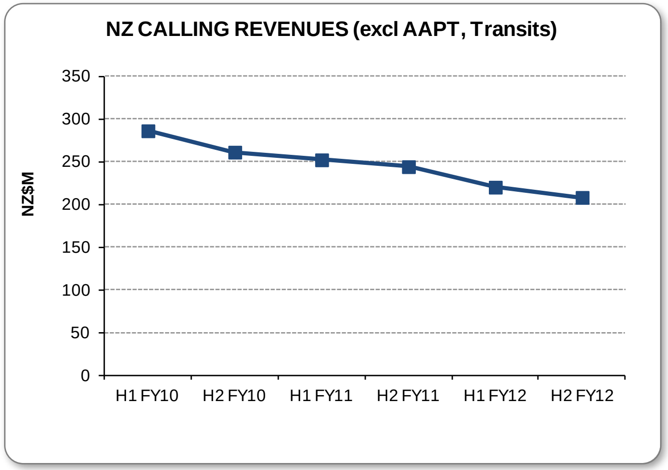
- Operational performance reflects competitive market
  - Increased fixed line competition, retention offers stabilised base
  - Postpaid mobile connections up 36k in H2, mobile usage revenues up 2%, CDMA network shut down
  - IT Services margin up to 9%
  - Continuing focus on cost, headcount down 5% vs FY11

VISION 2013 STRATEGY UPDATE

Vision 2013 Initiatives	Full year performance to 30 June 2012
Improve customer satisfaction	• Customer satisfaction up in all areas with highest scores to date
#1 in mobile, broadband and ICT	• Fixed line competition resulting in declining market share • 2% growth in mobile usage revenues • IT Services market share 14% and growing
Cost reduction and simplification	• CDMA network shut down • Headcount reduced by a further 5% • In-sourcing of support functions • Corporate centre costs down 7%
Innovation in fibre and mobile	• Managed customers products in market with ~4,200 connections • Consumer fibre products being delivered early 2013 • LTE trial on track for late 2012

ACCESS & CALLING





Objective

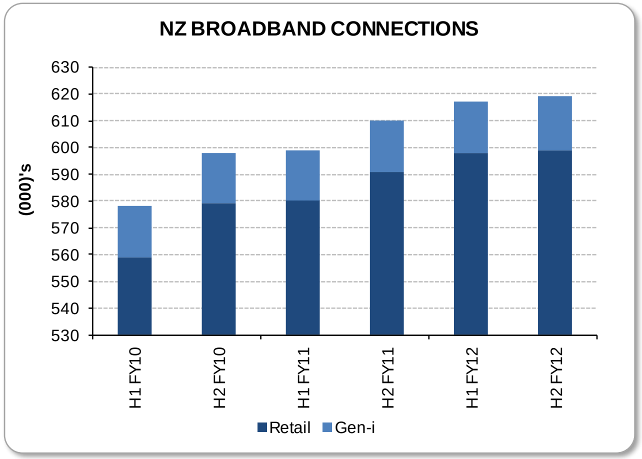
- Build value in access and calling to slow declines

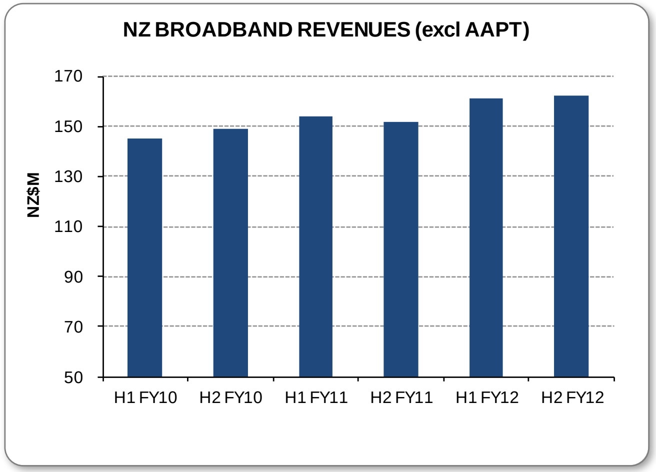
Result

- Total access and calling revenues impacted by AAPT consumer sale, International Transits and MTR reductions
- Access lines down 4% in H2 FY12
  - Increased churn driven by competitor activity
    - Access, calling and broadband bundle retention offers in place
  - Continued growth in wholesale access base
  - Retail/Gen-i market share at 63%
- NZ calling revenue declined 15% in H2 FY12
  - Impacted by access line loss, MTR price reductions, and declining customer usage

*Source – IDC Telco Tracker at 31 Mar 2012

BROADBAND





Objective

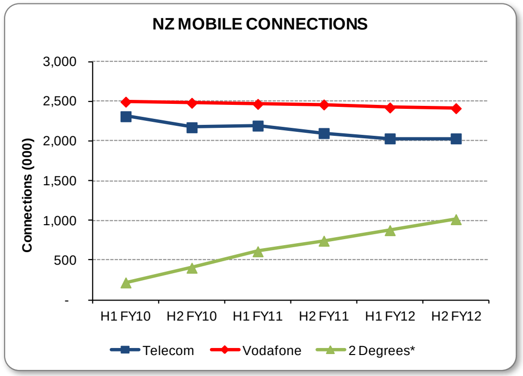
- Growth with a focus on high value and margin

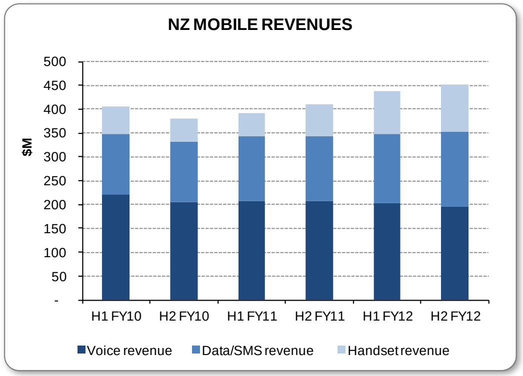
Result

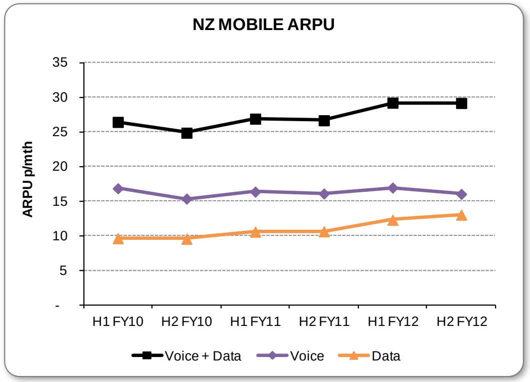
- Connections up 2k in H2 FY12
  - Impacted by strong competitive activity
  - Retention offers have stabilised base over last 3 months and growing again
- 7% NZ revenue growth, ARPU up 4% (vs H2 FY11)
- Retail/Gen-i market share of connections 50%*
- Development underway for a mass market broadband product over fibre
  - Delivery expected in early 2013

*Source – IDC Telco Tracker at 31 Mar 2012

MOBILE







* Source – IDC Telco Tracker at 31 Mar 2012

Objective

- Grow ARPU and revenue by focusing on high value customers and increasing data usage

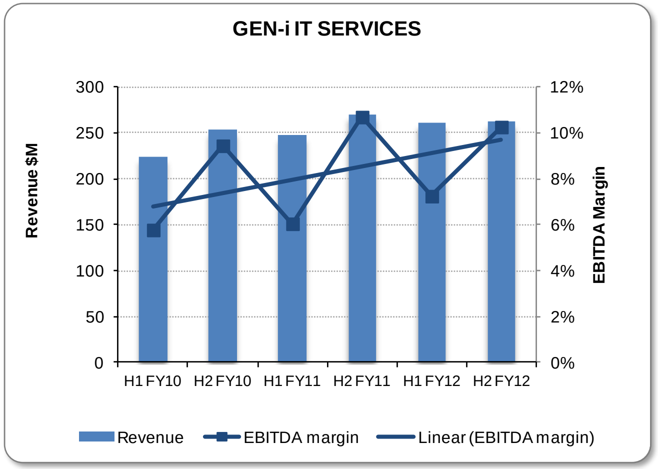
Result

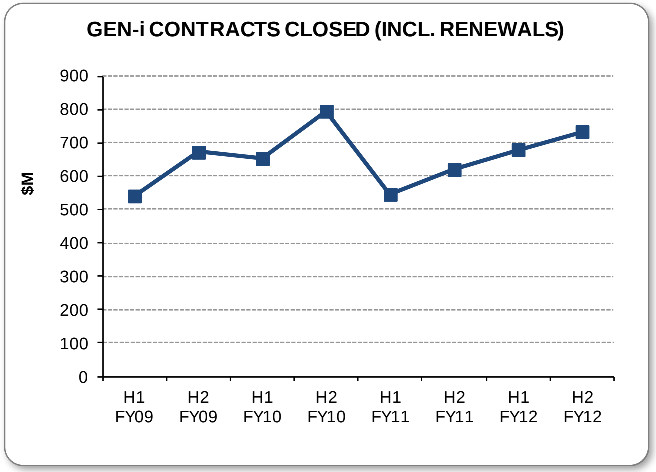
- Market share of connections ~37%*
- NZ revenue up 10% vs H2 FY11
  - Usage revenues up 2%, ARPU up 9% vs H2 FY11
    - Gen-i revenues up 8%, Retail postpaid revenues up 4%, prepaid revenues down 10%
- Postpaid connections up 36k in H2
  - Gen-i 70%+ market share
  - Consumer connection growth with good payback but increased cost of sales
- Prepaid connections down 34k in H2 (prior to CDMA closure)
  - Declines in low usage connections
- Smartphone penetration ~25%, (~11% H2 FY11)

MOBILE – CDMA CLOSURE

- 10+ year old CDMA network successfully shut down as planned
- High level of revenue migrated to XT
- XT mobile base at 31 July ~1.6m connections, with ARPU of ~$35
- Primarily low usage connections that did not migrate
  - Low value connections generating ~$600k revenue p/mth
- Cost savings of $5-10m expected, relating to lower support costs, electricity and backhaul costs
- Spectrum now available for use on XT network

IT SERVICES





Objective

- Increase value of fixed and mobile services with Hosted ICT Services
- Grow IT Services quality and margin

Result

- Gen-i IT Services FY12 EBITDA up 5% vs FY11
  - Sale of Software Solutions in H1 FY12
- IT Services margin of 8.8% (vs 8.5% in FY11)
  - EBITDA growth stronger than revenue growth of 1%, reflecting focus on efficiency
- Strong government relationships

BUSINESS UNIT PERFORMANCE

Retail

- FY12 EBITDA up 2.6%*
- Smartphone strategy delivering strong postpaid and ARPU growth
- Skinny brand established for prepaid
- Reduced FTE and supplier renegotiation driving cost out

Gen-i

- FY12 EBITDA up 11%*
- Mobile contribution margin up 22% in H2
- IT Services margin up to 8.8% with growth in Cloud based services
- Managed data market competitive
- Transformation activity reduced FTE by 8%**

Wholesale & International

- FY12 EBITDA up 6.2%*
- Retaining group value with growth in access lines
- MVNO growth

AAPT

- FY12 EBITDA down 6%, reflecting sale of Consumer business
- H2 FY12 EBITDA up 9%
- Free cash of A$36m (vs A$27m in FY11)
- Continued cost management and focus on profitable on-net data growth

*FY12 reflects 5 months of internal trading and 7 months of external trading with Chorus, FY11 reflects 12 months of internal trading with Chorus
** Excludes the impacts of centralisation and the sale of Software Solutions

Group Financials

CFO OVERVIEW

KPIs		Full year performance to 30 June 2012
Adjusted Revenue		Declines driven by AAPT and termination rates
Adjusted Cost	✓	Headcount down 5% vs H2 FY11
EBITDA - continuing	✓	Complicated by demerger, flat on a pro-forma basis
D&A – continuing	✓	Down 19%
Total Adjusted Net Earnings	✓	Up 9%
Capex – continuing	✓	$392m, 8.6% capex to sales ratio
Adjusted free cash flow*	✓	$656m generated
Net Debt	✓	$851m, capital management underway

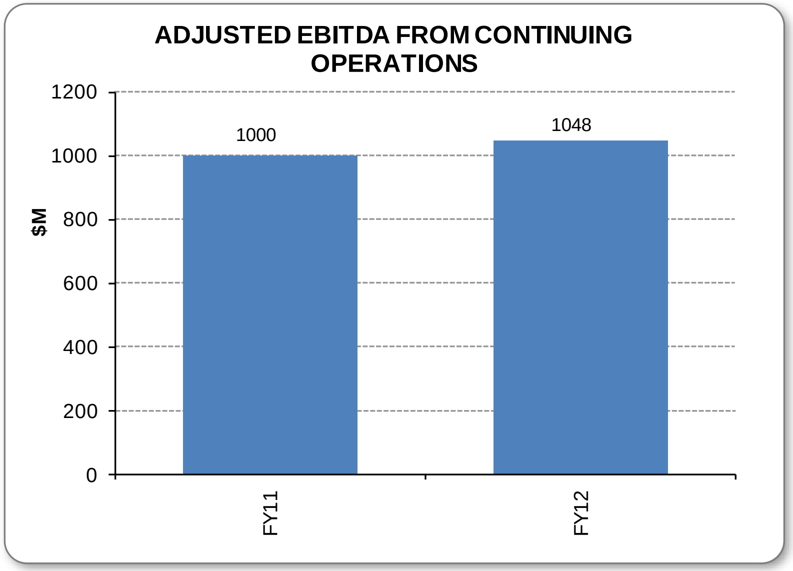
*Adjusted free cash flow calculated as Adjusted EBITDA from continuing operations of $1,048m less capex from continuing operations of $392m

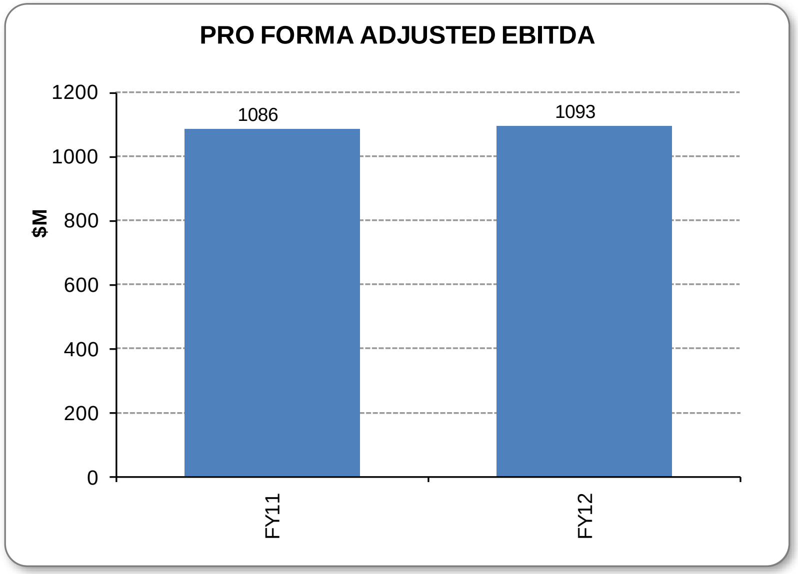
FINANCIAL SUMMARY

	REPORTED	ADJUSTED	ADJUSTED
	FY12 $M	FY12 $M	H2 FY12 $M
EBITDA - continuing	1,079	1,048	560
EBITDA - discontinued	1,103	321	0
Total EBITDA	2,182	1,369	560
Net Earnings	1,157	422	182
Total Capex	528	528	203

- Comparison of results with prior periods is complex following changes to the trading arrangements with Chorus

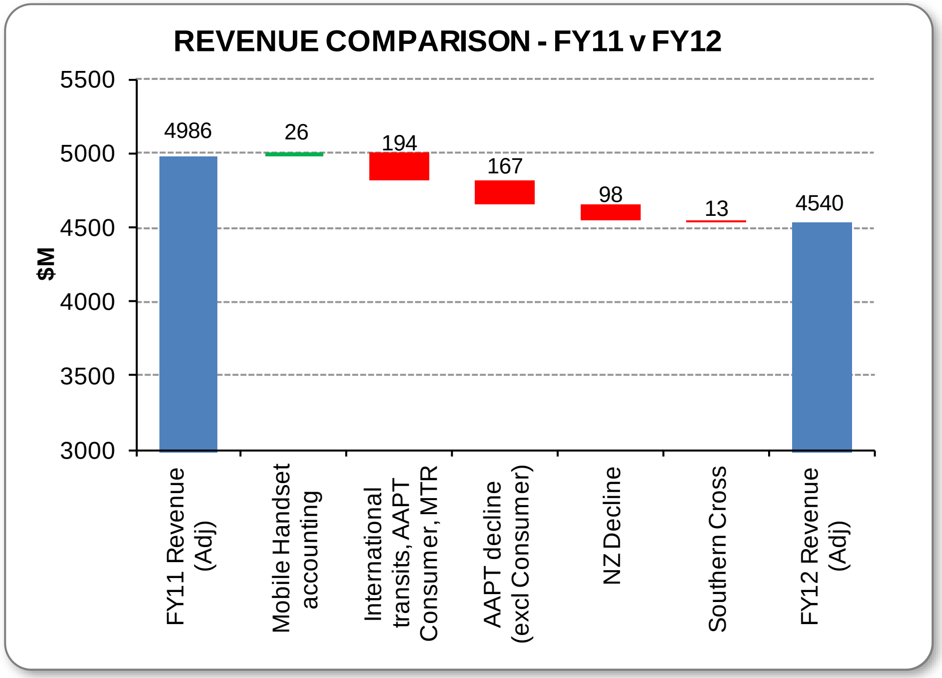
PRO FORMA EBITDA





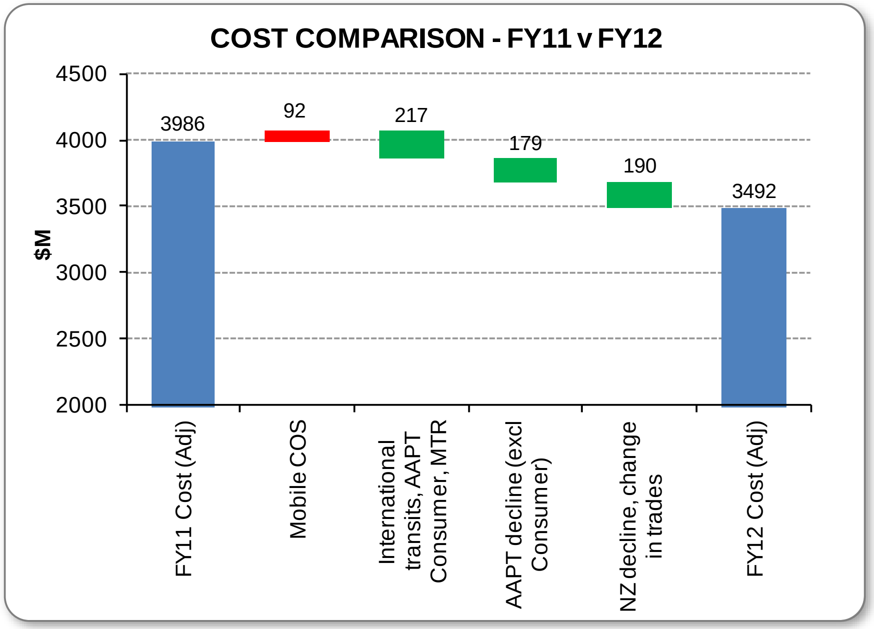
- FY12 Adjusted EBITDA from continuing operations up 4.8%
  - 5 months of internal trading with Chorus; and
  - 7 months of external trading following demerger
- FY12 pro-forma EBITDA of $1,093m
  - Estimated EBITDA as if demerger had occurred on 1 July 2011
- FY11 pro-forma EBITDA of $1,086m
- Underlying performance flat

REVENUE TRENDS



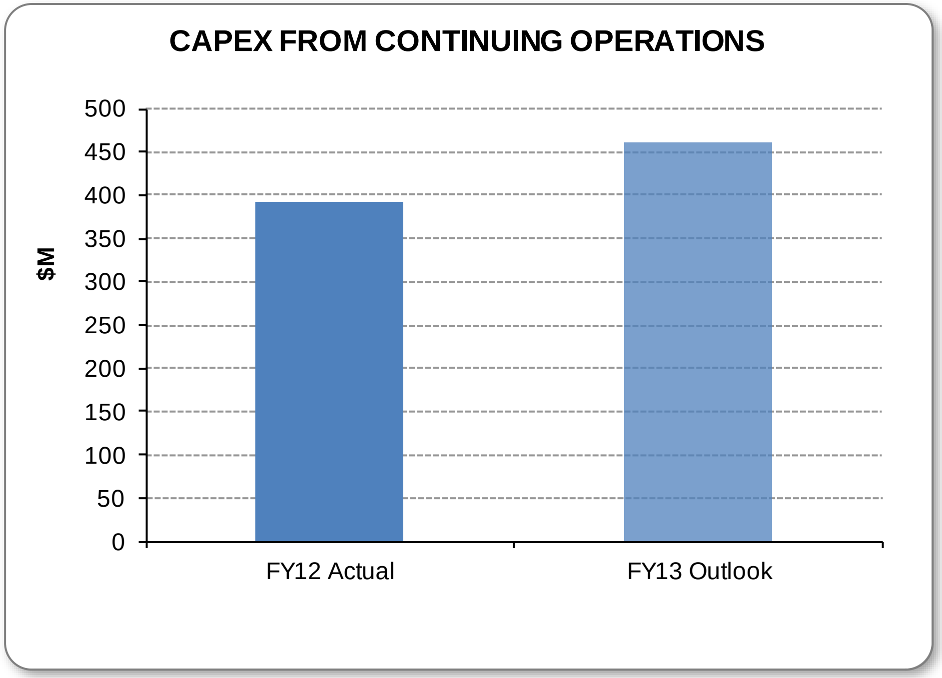
- Revenue decline impacted by
  - Mobile termination rate price declines
  - Rationalisation of International business
  - AAPT Consumer sale
  - Reductions in AAPT resale revenue
- Underlying decline in NZ business revenues 2%

COST TRENDS



- Cost base impacted by
  - $92m increase in mobile cost of sales
  - One off changes to MTR, international transits and AAPT Consumer
  - Significant reductions in AAPT cost base
  - Decline in NZ cost base complicated by demerger
    - Change in trading arrangements
    - Headcount down 5%
    - In-sourcing of support functions

CAPITAL EXPENDITURE



- Capex from continuing operations of $392m for FY12, which equates to 8.6% capex to sales ratio
- Total capex of $528m for FY12, down 42%
  - Includes Chorus related capex of ~$136m
- FY13 capex outlook of around $460m
  - Includes spend on 850 MHz spectrum and an allowance for new data centres which are under investigation

CAPITAL MANAGEMENT

- Telecom remains committed to maintaining an 'A band' credit rating
  - Net interest bearing debt to EBITDA not greater than 1.1 times on a long run basis (equates to 1.5 times on a rating agency basis)
- Credit Ratings post-demerger
  - S&P A- (Outlook Stable)
  - Moody's A3 (Outlook Stable)
- Net debt of $851m, equates to 0.8x net interest bearing debt to EBITDA
- Up to $300m on-market buyback to reset capital structure
  - $169m returned to date, 56% complete
  - Buyback may be completed over a longer time period
- H2 FY12 dividend of 11 cents per share with 75% imputation
  - DRP retained
- Average cost of funds ~6%

Outlook

OUTLOOK

- Market trends
  - New industry model post demerger to create Telecom as a new fixed line and IT Services provider and mobile network operator
  - Strong competition to continue with industry consolidation
- Telecom focused on winning in key markets to drive long term value
  - Create effortless customer experiences and simplify business
  - Compete aggressively in fixed line to maintain broadband market share
  - Lead the transition to fibre
  - Grow mobile while managing acquisition and retention costs
  - Grow IT Services and AAPT
  - Focused capital investment for the future
- Further detail to be provided via strategy day

FY13 FINANCIAL OUTLOOK

- FY13 financial outlook remains subject to strategy review
- FY13 EBITDA – flat to low single digit percentage decline
  - Investing to hold broadband market share
- FY13 Capex of approximately $460m (includes spectrum and allowance for new data centres)
- FY13 dividend policy – continuation of 90% pay out ratio
  - DRP retained
  - Imputation expected to be between 70% and 100%

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This announcement includes forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 regarding future events and the future financial performance of Telecom. Such forward-looking statements are based on the beliefs of management as well as on assumptions made by and information currently available at the time such statements were made.

These forward-looking statements can be identified by words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could' and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Telecom's control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this release. Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements are discussed herein and also include Telecom's anticipated growth strategies, Telecom's future results of operations and financial condition, economic conditions in New Zealand and Australia; the regulatory environment in New Zealand; competition in the markets in which Telecom operates; risks related to the sharing arrangements with Chorus, other factors or trends affecting the telecommunications industry generally and Telecom's financial condition in particular and risks detailed in Telecom's filings with the U.S. Securities and Exchange Commission. Except as required by law or the listing rules of the stock exchanges on which Telecom is listed, Telecom undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

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Non-GAAP financial measures

Telecom results are reported under IFRS. This release includes non-GAAP financial measures which are not prepared in accordance with IFRS. The non-GAAP financial measures used in this presentation include:

1. EBITDA. Telecom calculates EBITDA by adding back (or deducting) depreciation, amortisation, finance expense/(income), share of associates' (profits)/losses and taxation expense to net earnings/(loss) from continuing operations.
2. Adjusted EBITDA. Adjusted EBITDA excludes significant one-off gains, expenses and impairments.
3. Capital expenditure. Capital expenditure is the additions to property, plant and equipment and intangible assets, excluding goodwill and other non-cash additions that may be required by IFRS such as decommissioning costs.
4. ARPU. Telecom calculates ARPU as revenue for the period (for mobile this is only voice and data) divided by an average number of customers.
5. Free cash flow. Free cash flow is defined as EBITDA less capital expenditure.
6. Adjusted free cash flow. Adjusted free cash flow utilises adjusted EBITDA rather than underlying EBITDA defined above.
7. Adjusted operating revenue. Adjusted operating revenue excludes significant one-off gains.
8. Adjusted net earnings. Adjusted net earnings are net earnings for the year adjusted by the same items to determine adjusted EBITDA, together with any adjustments to depreciation, amortisation and financing costs, whilst also allowing for any tax impact of those items.

Telecom believes that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the financial performance, financial position or returns of Telecom, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. Non-GAAP financial measures as reported by Telecom may not be comparable to similarly titled amounts reported by other companies.

APPENDIX: FULL YEAR INCOME STATEMENT - REPORTED

Year ended 30 June	2012 $M	2011 $M	Change %
Revenue	**4,576**	**5,004**	**-8.6%**
Expenses	**(3,497)**	**(4,243)**	**-17.6%**
EBITDA	**1,079**	**761**	**41.8%**
Depreciation & amortisation	**(576)**	**(708)**	**-18.6%**
EBIT	**503**	**53**	**NM**
Net finance expense	**(80)**	**(137)**	**-41.6%**
Share of associates’ profit/(losses)	**0**	**1**	**NM**
Income tax expense	**(112)**	**4**	**NM**
Net Earnings from Continuing Operations	**311**	**(79)**	**NM**
Earnings from discontinued operations, net of tax	**846**	**245**	**NM**
Net Earnings	**1,157**	**166**	**NM**
EPS	**60**	**9**	**NM**
DPS	**20**	**20**	**0%**

APPENDIX: FULL YEAR INCOME STATEMENT - ADJUSTED

Year ended 30 June	2012 $M	2011 $M	Change %
Revenue	**4,540**	**4,986**	**-8.9%**
Expenses	**(3,492)**	**(3,986)**	**-12.4%**
EBITDA	**1,048**	**1,000**	**4.8%**
Depreciation & amortisation	**(576)**	**(708)**	**-18.6%**
EBIT	**472**	**292**	**61.6%**
Net finance expense	**(80)**	**(137)**	**-41.6%**
Share of associates' profit/(losses)	**0**	**1**	**NM**
Income tax expense	**(111)**	**(68)**	**63.2%**
Net Earnings from Continuing Operations	**281**	**88**	**NM**
Earnings from discontinued operations, net of tax	**141**	**300**	**-53.0%**
Net Earnings	**422**	**388**	**8.8%**
EPS	**22**	**20**	**10.0%**
DPS	**20**	**20**	**0.0%**

APPENDIX: HALF YEAR INCOME STATEMENT - ADJUSTED

Half year ended 30 June	2012 $M	2011 $M	Change %
Revenue	2,218	2,449	-9.4%
Expenses	(1,658)	(1,936)	-14.4%
EBITDA	560	513	9.2%
Depreciation & amortisation	(292)	(331)	-11.8%
EBIT	268	182	47.3%
Net finance expense	(21)	(74)	-71.6%
Share of associates' profit/(losses)	0	0	NM
Income tax expense	(65)	(39)	66.7%
Net Earnings from Continuing Operations	182	69	NM
Earnings from discontinued operations, net of tax	0	161	NM
Net Earnings	182	230	-20.9%
EPS	9	12	-25.0%
DPS	11	13	-15.4%

APPENDIX: ADJUSTING ITEMS

Year ended 30 June	2012 $M	2011 $M	H2 FY12 $M	H2 FY11 $M
Reported Net Earnings	**1,157**	**166**	**151**	**1**
Add/(Subtract) adjusting items				
Gain on demerger of Chorus	**(832)**		**31**	
Debt restructuring costs	**110**			
Simplified corporate structure	**(28)**			
Demerger/UFB related costs	**50**	**29**	**3**	**17**
Earthquake impact	**(3)**	**42**		**38**
Asset Impairments		**257**		**257**
Gain on sale of AAPT Consumer		**(18)**		
Related tax effects	**(32)**	**(88)**	**(3)**	**(83)**
Adjusted Net Earnings	**422**	**388**	**182**	**230**

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H2 FY12 RESULT BRIEFING

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Chief Financial Officer – Nick Olson