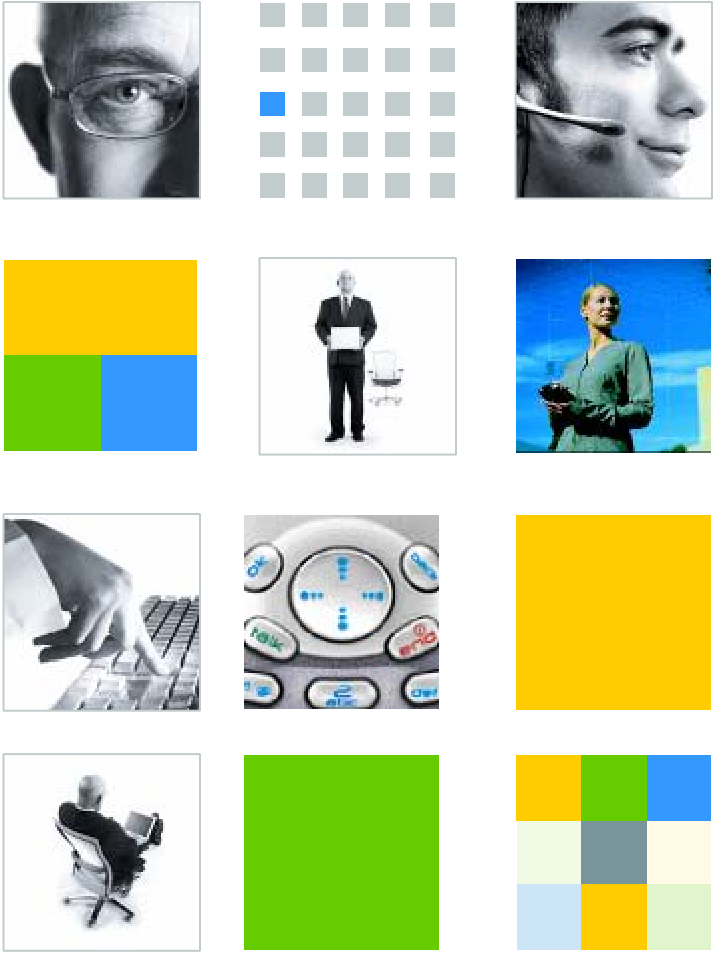

TELECOM NEW ZEALAND

Q3 06 Result Briefing

CEO - Theresa Gattung
CFO - Marko Bogoievski

05 May 06
Sydney, Australia

Telecom

Content

- Theresa Gattung
  - Group Result – 9 months to 31 March 06
  - NZ Operations
- Marko Bogoievski
  - Australian Operations
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- Theresa Gattung
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Group Result – 9 months to 31 March 06

	9 Months 31-Mar-06 $M	9 Months 31-Mar-05 $M	Change %
REVENUE	4,301	4,219	1.9%
EXPENSES	(2,648)	(2,532)	4.6%
ABNORMAL ITEMS	(871)	37	NM
EBITDA	782	1,724	-54.6%
DEPRECIATION	(394)	(407)	-3.2%
AMORTISATION	(129)	(109)	18.3%
EBIT	259	1,208	NM
NET INTEREST EXPENSE	(191)	(221)	-13.6%
INCOME TAX EXPENSE	(309)	(299)	3.3%
MINORITIES	(3)	(2)	50.0%
Net (loss) / earnings	(244)	686	-135.6%
EPS	(12.6)	35.3	NM
EBITDA MARGIN	NM	40.9%	

Group Result – Abnormal Items

Quarter Recognised		9 Months 31-Mar-06 $M	9 Months 31-Mar-05 $M	Change %
	Reported net (loss) / earnings	(244)	686	NM
	Less:			
Q2 06	Gain on acquisition of SCCL	(60)		
Q1 05	Gain on sale of retail stores		(10)	
Q2 05	Gain on buyback of convertible notes		(5)	
Q3 05	Gain on buyback of convertible notes		(4)	
Q3 05	Gain on sale of Intelsat		(8)	
Q3 05	Recognition of Southern Cross support fees[1]		(37)	
	Add:			
Q3 05	Intercarrier & Regulatory costs[1]		21	
Q2 06	Write-down of Australian operations	897		
Q2 06	Intercarrier & Regulatory costs[1]	15		
Q2 06	Provision for contractual settlements[1]	9		
	Adjusted net earnings	617	643	-4.0%

[1] Figures are net of tax. Other abnormal items are not subject to tax

Group Adjusted* Result – 9 months to 31 March 06

	9 Months 31-Mar-06 $M	9 Months 31-Mar-05 $M	Change %
REVENUE	4,301	4,219	1.9%
EXPENSES	(2,648)	(2,532)	4.6%
EBITDA	1,653	1,687	-2.0%
DEPRECIATION	(394)	(407)	-3.2%
AMORTISATION	(129)	(109)	18.3%
EBIT	1,130	1,171	-3.5%
NET INTEREST EXPENSE	(191)	(221)	-13.6%
INCOME TAX EXPENSE	(319)	(305)	4.6%
MINORITIES	(3)	(2)	50.0%
Net earnings	617	643	-4.0%
EPS	31.5	33.0	-4.7%
EBITDA MARGIN	38.4%	40.0%	

* Adjusted for the abnormal items detailed on slide 4 of this presentation

Group Adjusted* Result – Q3 06

	Q3 06 $M	Q3 05 $M	Change %
REVENUE	1,447	1,421	1.8%
EXPENSES	(864)	(824)	4.9%
EBITDA	583	597	-2.3%
DEPRECIATION & AMORTISATION	(178)	(167)	6.6%
EBIT	405	430	-5.8%
NET INTEREST EXPENSE	(62)	(73)	-15.1%
INCOME TAX EXPENSE	(120)	(112)	7.1%
MINORITIES	(1)	0	NM
NPAT	222	245	-9.4%
EPS	11.3	12.6	-10.0%
DPS	9.5	9.5	0.0%
EBITDA MARGIN	40.3%	42.0%	

* Adjusted for the abnormal items detailed on slide 4 of this presentation

Group result for quarter ended 31 March 06: Key Points

- Another strong performance from NZ Operations offset by EBITDA decline in Australia

- NZ Operations EBITDA +3.1% on PCP driven by momentum in:
  - Mobile; solid net connection growth (+70k) & lower cost of sales
  - Broadband volume growth continues; +44k connections, including 41k residential connections (approx. a third from wholesale)
  - Solid revenue performance from other NZ businesses including IT services (+10.4% on PCP) & Directories (+6% on PCP)

- Performance of Australian Operations continues to be impacted by: tighter wholesale prices & terms with Telstra; continued downward pressure on retail prices and opex associated with major change programme underway in product, channel and back-office capability
  - Australian EBITDA for Q3 06 was A$15m (-$25m on PCP, -$2m on Q2 06)

NZ Operations

	9 Months 31-Mar-06 $M	Change v YTD 05 %	Q3 06 $M	Change v Q3 05 %
REVENUE	3,386	4.7%	1,141	3.4%
EXPENSES	1,720	7.2%	550	3.6%
EBITDA	1,666	2.3%	591	3.1%
DEPN & AMORTISATION	391	-0.3%	135	7.1%
EBIT	1,275	3.1%	456	2.0%

NZ Operations - Revenue

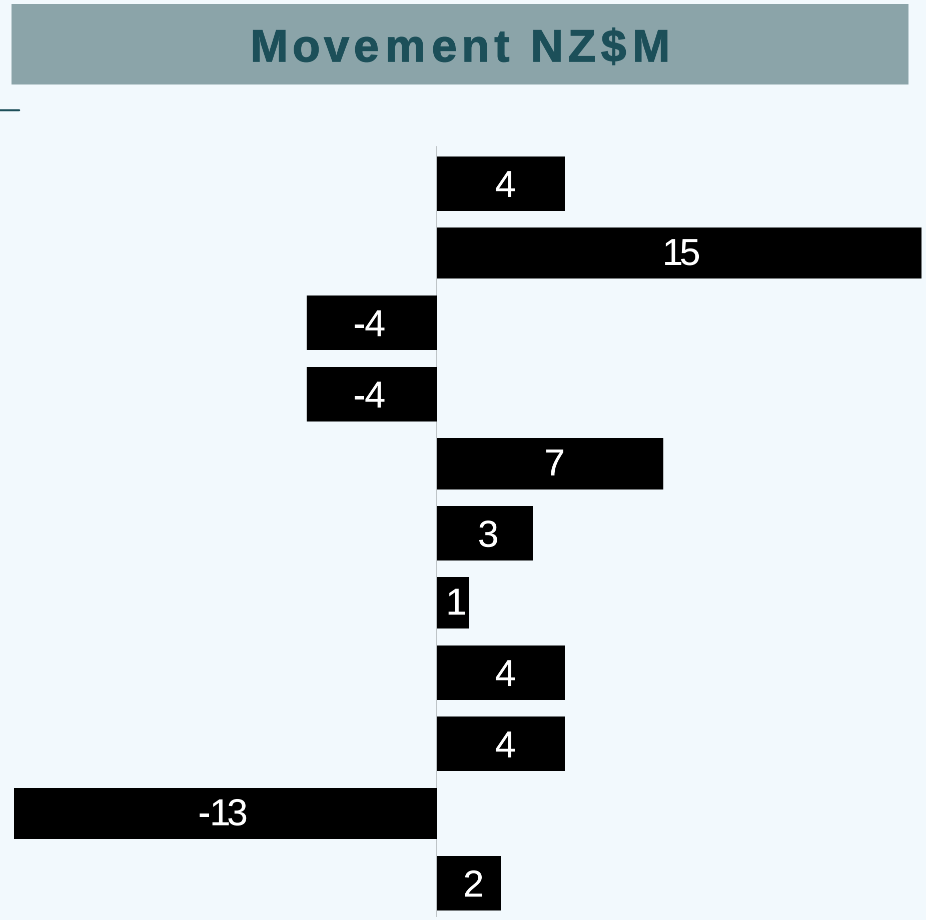
	Q3 06 $M	Change % PCP
Access	261	-1.5%
Calling[1]	239	-1.6%
Interconnect	43	0.0%
Mobile	193	7.8%
Data	107	4.9%
Broadband & Internet	84	16.7%
IT Services	74	10.4%
Directories	88	6.0%
Other	31	-3.1%
Internal	21	16.7%
Total	**1,141**	**3.4%**

Movement NZ$M

[1] Includes $8m increase on PCP in transit revenue - offset by an increase ($7m) in international settlement costs. Calling revenue adjusted to exclude transit revenue declined 5.7% on PCP

NZ Operations - Expense

	Q3 06 $M	Change % PCP
Labour	125	3.3%
Inter-carrier costs[1]	131	12.9%
Direct Costs	55	-6.8%
Mobile Acquisitions, upgrades	67	-5.6%
IT services sales costs	38	22.6%
BB[2] & Internet, Directories	31	10.7%
Computer Costs	31	3.3%
Advertising, promotions	20	25.0%
Accommodation	22	22.2%
Other	24	-35.1%
Internal	6	50.0%
Total	**550**	**3.6%**



[1] Includes $7m growth on PCP of transit inter-carrier costs largely offset by $8m of transit revenue, [2] Broadband

NZ Operations - Wireless

	9 Months 31-Mar-06 $M	Change v YTD 05 %	Q3 06 $M	Change v Q3 05 %
Mobile Voice	393	2.9%	130	1.6%
Mobile Data	123	61.8%	44	51.7%
Mobile Voice & Data Revenue	516	12.7%	174	10.8%
Other Mobile (e.g. handsets)	57	-10.9%	19	-13.6%
Total Mobile Revenue	573	9.8%	193	7.8%
Acquisition, upgrade costs & other	231	17.9%	67	-5.6%

- Solid quarterly net connection growth (+70k) following busy xmas quarter, total base now 1.878m, CDMA base 1.556m (83% of total base)
- Sustained acquisition momentum driving double digit voice & data growth (+10.8% on PCP), mobile data revenue (+51.7% on PCP) driven by messaging & infotainment services
- Cost of Sales down 5.6% on prior period reflecting:
  - lower volume (new & upgrades) growth (+5% on PCP) relative to previous quarters; and
  - lower unit costs due to: acquisition mix (prepaid v postpaid), supply chain initiatives, benefits of leveraging Sprint relationship for handset procurement and lower commission costs

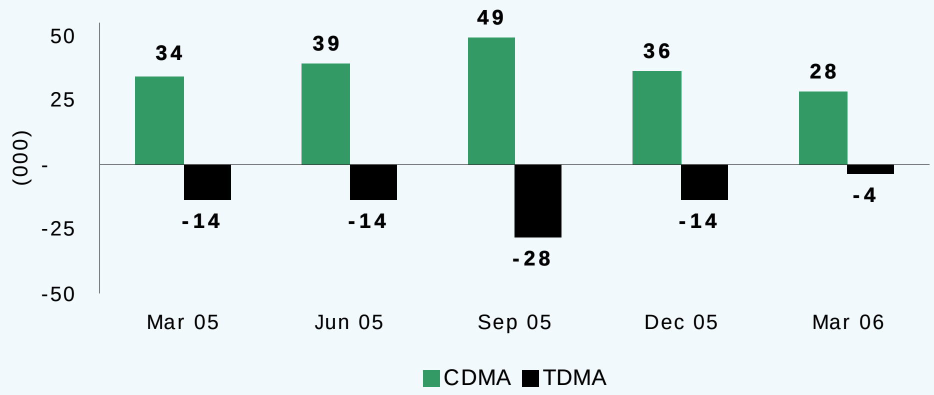
NZ Operations - Wireless (cont'd)

- Freedom offer successfully launched 9 April 06:
  - Integrated subscription[1] service providing unlimited fixed to mobile & mobile to fixed (on-net) calling
  - Experiencing strong initial uptake
- EV-DO coverage now in every main town and city, covering approx. 80% of the population
- Superior data performance of EV-DO driving mobile broadband business growth through:
  - Competitive PDA devices (Apache, Treo)
  - EV-DO data cards – mobility premium for broadband now just $10 (entry level data plan; $49 + GST, 1GIG)
- "$10 Text" for all 2006 continues to drive strong Consumer prepaid uptake
- Innovative services continue to drive data revenue growth & usage; Push 2 Talk, Photo & Video Messaging, Song ID, Ring-tones, Caller Tunes & Games, music downloads
- CDMA connections now 83% of customer base, representing over 97% of Q3 06 mobile voice & data revenue

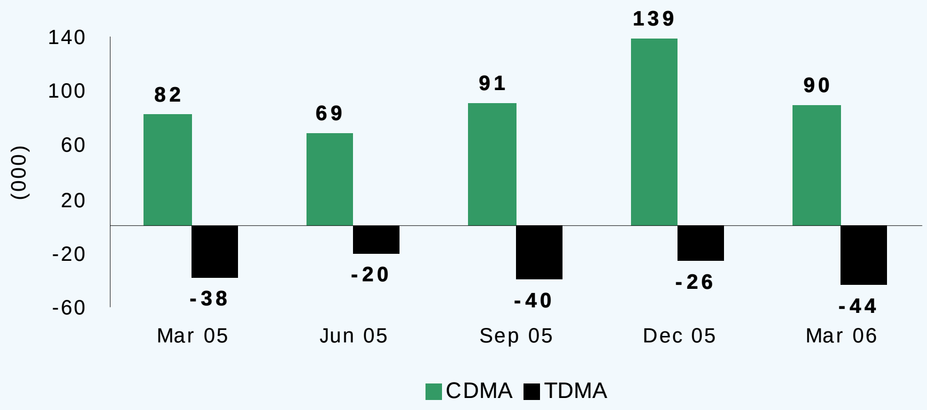
[1] $10 per month for each nominated Telecom 027 mobile

NZ Operations; Wireless (cont'd)

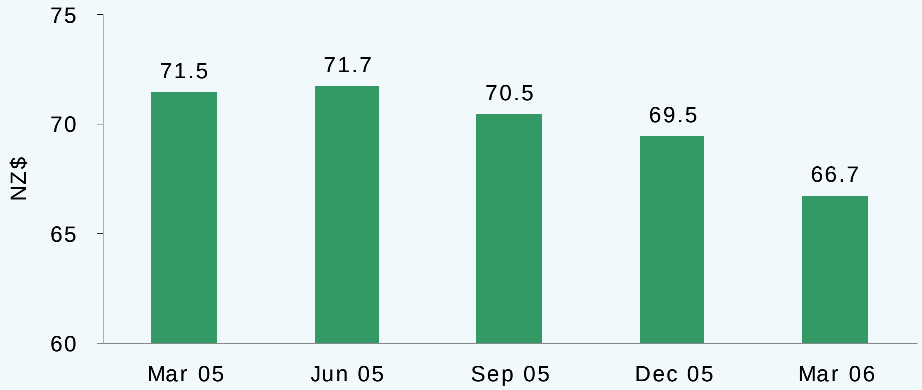
Postpaid Connection Growth



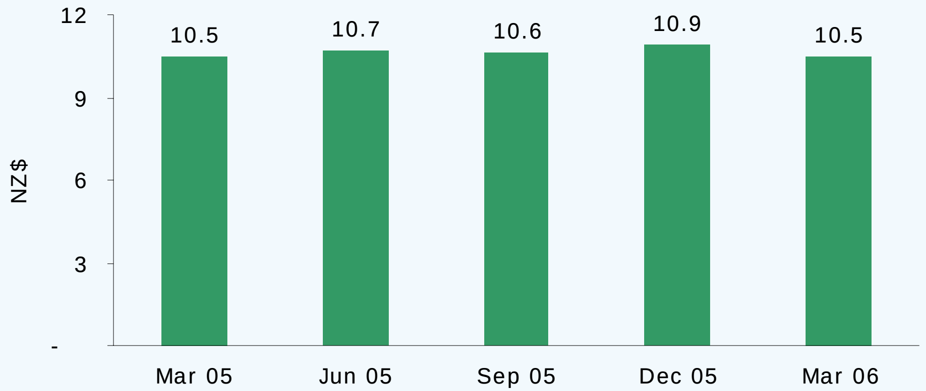
Prepaid Connection Growth



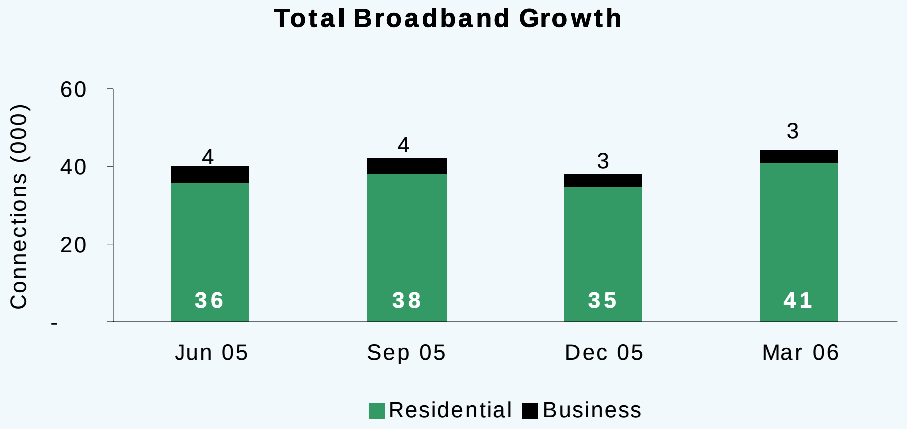
Postpaid ARPU

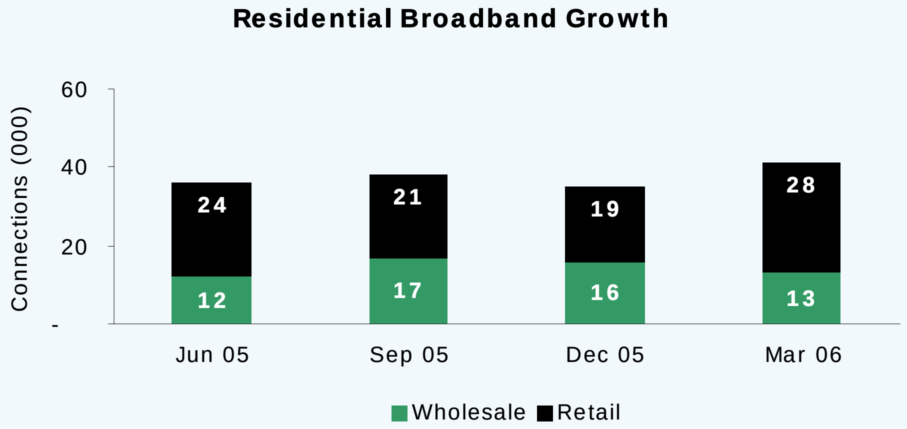


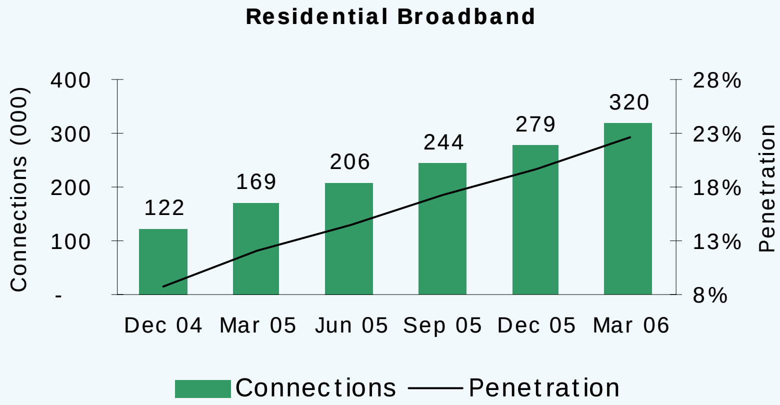
Prepaid ARPU



NZ Operations - Broadband



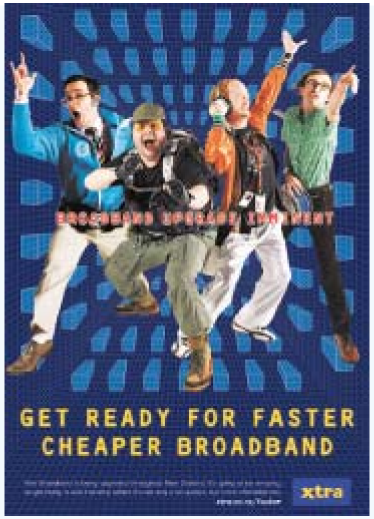




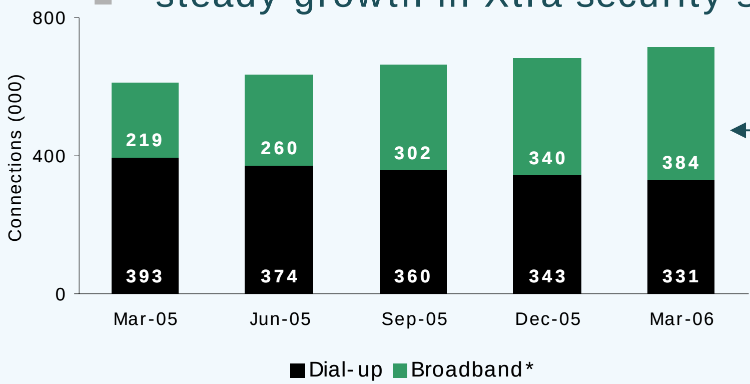
- 320k residential broadband connections at 31 March 06

- Strong quarterly connection growth continued - despite summer holidays & shorter month of February 06. Strong connections for month of March
- Anticipate strong growth over the next 6 months driven by:
  - New Plan line-up, including new entry level “dollar a day” broadband plan
- Approx a third of connection growth from wholesale this quarter

NZ Operations - Broadband (Cont'd)



- New range of Broadband plans[1] launched in April:
  - new plans from $29.95 (256kbps/128kbps, 0.2GB) to $149.95 3.5mbs/512kbps, 40GB)
  - alignment of business & residential pricing
  - speed upgrade for existing customers from April 06
- Next Generation Broadband (ADSL2+) upgrade starting from mid (Calendar) year
- Value added services continue to gain traction:
  - video clip usage (primarily news, music & movie trailers) on xtramsn experiencing rapid growth
  - steady growth in Xtra security service



- Broadband connections now exceed Dial-up internet connections for the first time

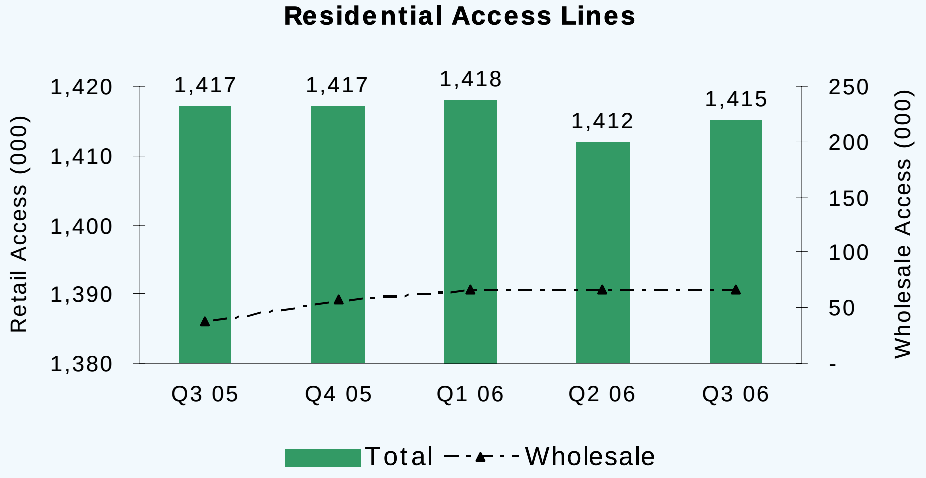
[1] Price range assumes Calling is with Telecom, * Includes both Retail (296k) and Wholesale (88k) connections

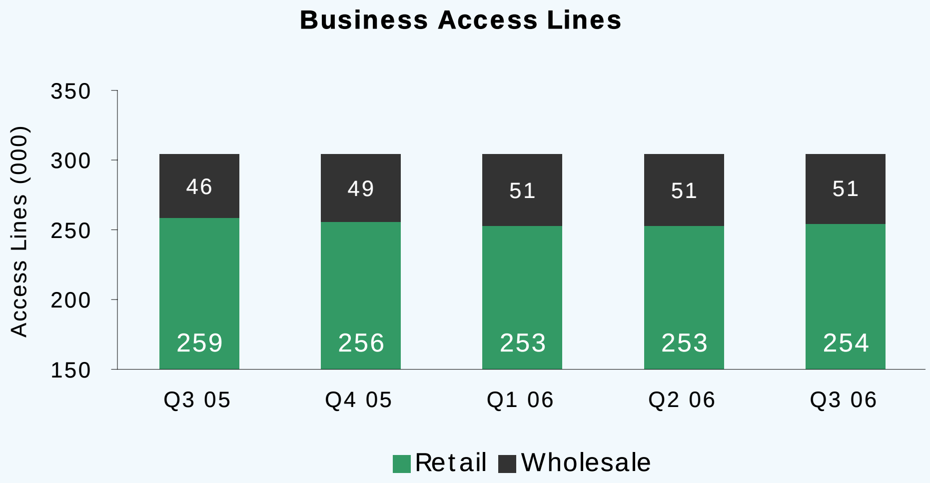
NZ Operations – Wholesale broadband growth continues

- Approx. one third of broadband growth from wholesale this quarter
- New commercial UBS packages (for both residential & business) available to wholesale providers from 2 April:
  - 256kbs / 128kbs (downlink, uplink)
  - 2mbs / 128kbs
  - 3.5mbs / 128kbs
  - 3.5mbs / 512kbps
- Over 20 service providers now selling UBS services
- Wholesale "one-office" service in development & launching soon

- Telecom Wholesale Charter officially launched to customers in early April 06
- Wholesale Charter based on three fundamental principles to create business certainty & enable wholesale growth:
  - Consistent service delivery experience
  - Consistent product availability between retail & wholesale
  - Commitment to greater transparency & communication

NZ Operations – Access & Calling





- Access lines remain stable on PCP despite; slowdown in the housing market, net decline in migration & 2nd line substitution (broadband)
- Successful launch of Freedom product on 9 April 06
- Focus on:
  - further evolution of integrated offers in both Consumer & Business markets
  - developing products that strengthen the link between calling & internet to reduce churn & encourage further Consumer bundle uptake
- Total Business access lines stable on PCP

Australia – Strategic review

- Strategic review now complete, process confirms status quo:
  - a number of proposals were discussed with various parties but ultimately these did not meet the Group's requirements from either a value or strategic perspective
  - in the medium term, the review process highlighted that further industry consolidation is both a desirable and realistic prospect
  - the high degree of uncertainty in the current environment is making it difficult to conclude significant transactions and commercial agreements. This has contributed to our decision to reaffirm our commitment to the Australian operations as the most appropriate course of action
- Next steps, committed to:
  - continuing with the current investment programme in product, channel and back office capability while repositioning the business around mass and managed segments
  - refining network and access strategies to secure stronger network economics
  - further enhancing our trans-Tasman service capability

Australia

	Q2 05 AUD	Q3 05 AUD	Q4 05 AUD	Q1 06 AUD	Q2 06 AUD	Q3 06 AUD
REVENUE	329	305	310	296	303	296
EXPENSES	287	265	271	270	286	281
EBITDA	42	40	39	26	17	15
CAPEX	26	25	35	23	34	25
EBITDA less Capex	16	15	4	3	(17)	(10)
EBITDA Margin	12.8%	13.1%	12.6%	8.8%	5.6%	5.1%

Australia - Consumer

	9 Months 31-Mar-06 A$M	Change v YTD 05 %	Q3 06 A$M	Change v Q3 05 %
Revenue	421	-8.1%	140	-6.0%
Expenses	329	-5.7%	114	5.6%
Segment Contribution	92	-15.6%	26	-36.6%
Contribution Margin	22%		19%	
Fixed Line customers	451,000	-0.7%		
Dial Up	93,000	22.4%		
Broadband	81,000	285.7%		
Fixed Line ARPU (A$ per month)	83.8%	-6.2%		
Bundled Customers	46.4%	79.8%		

- Bundled growth continues to track to forecast (50% by FY 06): 46.4% of fixed base now buying multiple products (versus 25.8% last year)
- Revenue decline of $37m YOY (-8.1%) reflects decline in mobile revenue due to move away from selling stand alone mobile & price erosion driven by capped offerings
- Growth of Homechat customer base to 135k at Mar 06, growth in broadband of approx 7k new customers a month YTD

Australia - Business

	9 Months 31-Mar-06 A$M	Change v YTD 05 %	Q3 06 A$M	Change v Q3 05 %
Revenue	474	-5.8%	156	-0.6%
Expenses	352	1.1%	120	9.1%
Segment Contribution	122	-21.3%	36	-23.4%
Contribution Margin	26%		23%	

- Revenue decline of $29m (-5.8%) year on year reflects price pressure across most product lines (voice, data & internet), churn of Toll, VicOne and the Customs Tradegate business and the deferral of CBA projects offset in part by growth in SE customer numbers
- Business customers have grown to approx 15k, an increase of approx 44% on the prior year primarily in the mass area as a result of the recent marketing campaigns
- Bundled customers have increased to 43%, +72% on PCP

Cash-flow

	9 Months 31-Mar-06 $M	9 Months 31-Mar-05 $M	Change %
Reported Earnings	(244)	686	NM
Adjustments:			
Depreciation & Amortisation	523	516	
(Increase) / Decrease in Working Capital	(117)	(109)	
Increase / (Decrease) in Current Taxation	193	118	
Abnormal impairment write-off	869		
Abnormal revenues & expenses	(60)	(31)	
Other	7	33	
Cashflow from Operating Activities	1,171	1,213	-3.5%

- Year to date operating cash-flow remains robust and broadly inline with FY06 adjusted EBITDA

Balance Sheet

	31-Mar-06 NZ$M	30 June 05 NZ$M	Change NZ$M	Change %
Short Term Debt	774	863		
Short Term Derivative Assets	(41)			
Short Term Derivative Liabilities	73	0		
Long Term Debt	2,788	2,973		
Long Term Derivative Assets	(5)	0		
Long Term Derivative Liabilities	472	0		
Gross Debt	4,061	3,836	225	5.9%
Cash / ST Investments	340	316		
Net Debt	3,721	3,520	201	5.7%
Total Assets	6,730	7,582		
Shareholders Funds	1,391	2,463		
Gross Debt/EBITDA[1]	1.75x	1.69x		

- Significant debt re-financing completed during the period with issuance of $400m of NZD Telebonds; $250m maturing 2013 (6.92% coupon) and $150m maturing 2016 (7.04% coupon)
- Increase in Net Debt largely reflects payment of special dividend (5cps)

1 = Normalised EBITDA and Gross Interest calculated based on last 12 months

Capital Expenditure

	9 Months 31-Mar-06 NZ$M	9 Months 31-Mar-05 NZ$M	FY 06* NZ$M
NZ Wired Division			
Growth	153	147	205
Upgrades & Replacements	93	80	145
New Investment			
Product Development	11	7	15
New Network Capability	49	25	75
New IS Capability	28	38	40
Total NZ Wired	334	297	480
Wireless	68	69	95
International	8	33	20
Australian Operations	89	80	115
Corporate & Other	21	19	40
Total Capital Expenditure	520	498	750

* Forecast

Regulatory Update

- On 4 May the Government released a comprehensive package of regulatory and planned legislative measures following the completion of its stock-take of the telecommunications industry. These measures include:
  - introduction of Local Loop Unbundling (LLU)
  - removal of constraints on regulated Unbundled Bitstream Service (UBS) including provision for “naked DSL”
  - accounting separation of the wholesale business
- The Government also announced it is considering a range of other initiatives to encourage investment in alternative infrastructure and to future proof the regulatory environment, these initiatives include:
  - reviewing public sector investment in the sector
  - reviewing Telecom’s ability to reduce local prices solely in response to new competing infrastructure investment
  - review of the Telecommunications Service Obligation (TSO)
  - analysis on the desirability of structural and operational separation

Summary & Outlook

- New Zealand Operations
  - Expect continued EBITDA growth for Q4 06
- Australian Operations
  - FY 06 EBITDA management forecast A$85m–A$95m, further downside risk of up to A$20m, depending primarily on the outcome of current wholesale negotiations with Telstra
- Comfortable with current market forecast for FY 06 consensus NPAT (adjusted) of $826m (range; $812m - $844m)
- Capital Management
  - FY 06 capex forecast remains at $750m
  - FY 06 - Targeting ordinary pay-out ratio of approximately 85% of NPAT. TCNZ currently expects to pay a fully imputed special dividend of 5cps as previously signalled
- FY 07
  - In light of the new regulatory settings an update on the operating outlook, capex and shareholder distribution policies for the 06/07 fiscal year will be provided at Q4 06

Disclaimer

- This presentation contains not only a review of operations, but also some forward looking statements about TCNZ and the environment in which the company operates. Because these statements are forward looking, TCNZ's actual results could differ materially. The third quarter media release, management commentary and various documents filed with the US Securities & Exchange Commission ("SEC"), including the Annual Report on Form 20-F, contain additional information about matters which could cause TCNZ's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by TCNZ and filed with the SEC.