



SFE NOTICE NO.

99/07

Date of Issue: 8 August 2007
Effective Date: 24 September 2007

Telecom Corporation of New Zealand – Corporate Action in relation to Proposed NZD\$4.88 Capital Return per Share with Cancellation of 1 out of every 9 Shares

1.0 Introduction

1.1 Telecom Corporation of New Zealand had announced a reconstruction of capital proposal under which 1 in every 9 Telecom ordinary shares will be cancelled in return for NZD\$4.88 for each ordinary share cancelled.

The purpose of this Notice is to describe the adjustment to the Contract Unit of existing Telecom NZFOX ETOs's (commodity code 'ZP') to be **effective on the ex-date Monday 24 September 2007**.

Participants are advised that determination of the adjustment using VWAP will be made on the last cum-date, this also being the record date of Friday 21 September 2007.

1.2 All existing series in ZP without open positions will be delisted on the effective date.

2.0 Contract Changes to ZP

The adjustment will be according to the formula:

$$NC = BC + \frac{R}{(SC - r)(OC/BC)}$$

where

NC is the Contract Size immediately after the adjustment

BC = $OC - m = 888.888889$ based on the reduction ratio of 1 for every 9

OC is the Contract Size immediately before the adjustment (currently 1000)

m is the number of cancelled or repurchased Underlying Financial Products attributable to each OC = $1/9 * 1000 = 111.111111$ to six decimal places for an existing contract size of 1000.

R is the value of cash return attributable to each OC ($R = NZD \$542.22$ for an existing contract size of 1000, being $1/9 * 1000 * \$4.88$).

SC is the VWAP (volume weighted average price) of the underlying shares traded on the last cum return Trading Day for a period, being 10 am to 12 pm New Zealand time only

r is the value of the cash return attributable to each Underlying Financial Product; $r = NZD\$0.5422$

The Exercise Price to become the price calculated in accordance with the following formula:

$$NE = OE * OC / NC$$

where:



- NE is the new Exercise Price immediately after the adjustment
- OE is the old Exercise Price immediately before the adjustment
- OC is the old Contract Size immediately before the adjustment
- NC is the new Contract Size immediately after the adjustment.

3.0 ZK Account and Limit Maintenance

A new NZFOX Equity Option in Telecom Corporation of New Zealand (commodity code 'ZK') will be listed at the standard contract size of 1,000 shares per contract on the effective date.

Initially, the December 2007, March 2008 and June 2008 contracts will be made available with the standard four contract expiries being made available with the subsequent expiry of the Equity Option in Telecom Corporation of New Zealand (ZP) contract.

SYCOM Managers are advised that Account Maintenance associated with the ZK contract will be available from 3.25pm Friday 21 September 2007. For detailed steps of editing accounts and adding limits, please contact SFE Service Desk.

4.0 Further information

4.1 Participants seeking further information in relation to this Notice should contact:

Business Development enquiries - Peter Ho on 612 9227 0668 or peter.ho@asx.com.au.

Operational enquiries – SFE Service Desk on 612 9256 0677 or service.desk@asx.com.au

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