



31 January 2007

ASX  
Company Announcements Office

### Telecom New Zealand proposal to acquire PowerTel

- \$2.30 per share cash offer (less any agreed capital return)
- PowerTel directors unanimously recommend the proposal in the absence of a superior proposal
- Scheme of arrangement to be voted on by PowerTel shareholders
- Telecom has been granted an option over 10% of PowerTel's shares from TVG subject to certain conditions.

PowerTel Chairman, John Conde, advised today that the PowerTel Board reached a unanimous decision early this morning on a proposal from Telecom New Zealand ("Telecom") to acquire 100% of the ordinary shares in PowerTel.

Telecom's Australian subsidiary, AAPT, and PowerTel already have a close working relationship. The proposal to acquire PowerTel follows the announcement in November 2006 that PowerTel would provide wholesale services to AAPT.

Telecom's proposal involves a cash offer of A\$2.30 per PowerTel share (less any agreed capital return) with the acquisition to be implemented by way of a scheme of arrangement.

PowerTel's Board unanimously recommends that PowerTel shareholders vote in favour of the proposal in the absence of a superior proposal. TVG, PowerTel's major shareholder, has granted Telecom an option over 10% of PowerTel's shares subject to certain conditions. The key terms of that option agreement are set out in Telecom New Zealand's announcement this morning.

Paul Broad, PowerTel's Managing Director, said, "Telecom's offer represents fair value for PowerTel shareholders based on standard benchmarks and provides shareholders with the opportunity to exit for cash at a price reflecting a control premium. The contemplated transaction represents a positive outcome for our shareholders and also our customers, partners and employees as the larger combined company will be better placed to compete in the Australian market."

Telecom's offer values PowerTel at A\$320 million on an equity basis and A\$357 million on an enterprise basis.

The offer price implies a [31.2%] premium to PowerTel's volume weighted average price over the last three months and an [18.7%] premium to PowerTel's volume weighted average price over the last month.

The transaction is subject to some conditions, including approval from PowerTel shareholders and regulatory bodies as well as material adverse change and other common merger implementation agreement provisions. It is expected that the scheme documents, including an Independent Expert's

Report, will be sent to PowerTel shareholders in late March and that shareholders will have the opportunity to vote on the scheme in late April.

Telecom has released to the ASX its investor presentation for the combined business. Macquarie Bank advised PowerTel in its consideration of the proposal

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FURTHER INFORMATION please contact:

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Appendix A: Key terms of Merger Implementation Agreement

<p>Conditions Precedent to Scheme</p>	<ul style="list-style-type: none"> <li>• The Court orders the convening of the Scheme Meeting under section 411(1) of the Corporations Act</li> <li>• PowerTel shareholders' approval at the Scheme Meeting by the requisite majorities under the Corporations Act</li> <li>• Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act</li> <li>• Approvals from all relevant Australian regulatory bodies such as FIRB, ASIC and ASX</li> <li>• No restraints or prohibitions issued by judicial authority or Government Agency preventing implementation of the Scheme</li> <li>• No 'PowerTel Prescribed Event' as stipulated in the Agreement has occurred</li> <li>• No 'PowerTel Material Adverse Change' as stipulated in the Agreement has occurred</li> <li>• The Independent Expert issues its report before the date on which the Scheme Booklet is lodged with ASIC which concludes the Scheme is in the best interests of PowerTel shareholders</li> </ul>
<p>No-talk and no-shop obligations</p>	<p>PowerTel must ensure that during the period from date of the Agreement to the earlier of the termination of the Agreement and the date the Scheme becomes effective:</p> <ul style="list-style-type: none"> <li>• neither it nor any of its Related Persons (being PowerTel, its subsidiaries, and their respective employees, officers, agents, contractors and advisers) directly or indirectly solicits, invites, encourages or initiates any enquiries, negotiations or discussions, or communicates any intention to do any of these things, with a view to obtaining any expressions of interest, offer or proposal from any other person in relation to a Competing Proposal</li> <li>• neither it nor any of its Related Persons enters into any agreement, arrangement or understanding in relation to, or which may reasonably be expected to lead to, an expression of interest, offer or proposal from any other person in relation to a Competing Proposal or proposed Competing Proposal</li> <li>• neither it nor any of its Related Persons directly or indirectly negotiates or enters into, continues or participates in negotiations or discussions, provides or makes available any information with any other person in respect of or in response to any expression of interest, offer or proposal regarding a Competing Proposal or potential Competing Proposal</li> </ul>
<p>Limitations to no-talk obligation</p>	<p>No-talk obligations do not apply to the extent that they restrict PowerTel from taking or refusing to take any action with respect to a bona fide proposal in relation to a Competing Proposal in circumstances where the PowerTel Board is acting in good faith and in order to satisfy what the PowerTel Board reasonably considers, based on the written advice from its external legal advisers, to be in its fiduciary or statutory duties to avoid a contravention of the law</p>

Rival Bidder and Right to Respond	<p>If during the no-talk and no-shop period the PowerTel Board wishes to approve or recommend, or enter into any agreement or understanding in relation to a Competing Transaction, it must not do so until:</p> <ul style="list-style-type: none"> <li>• the PowerTel Board has determined that the Competing Transaction is a superior proposal; and</li> <li>• PowerTel has given Telecom notice in writing of its intention to do so.</li> </ul>
Break Fee	<p>A break fee of A\$3 million is payable by PowerTel to Telecom if:</p> <ul style="list-style-type: none"> <li>• any director of PowerTel makes any public statement prior to the approval of the scheme by the Court to the effect that he or she does not (or no longer supports) the Scheme, unless support is withdrawn due to the Independent Expert concluding that the Scheme is not in the best interests of PowerTel shareholders</li> <li>• any director of PowerTel fails to recommend the Scheme to PowerTel shareholders, or having done so, any director of PowerTel publicly withdraws or varies his or her favourable recommendation of the Scheme prior to the approval of the Scheme by the Court, unless the recommendation has changed because of the Independent Expert concluding that the Scheme is not in the best interests of PowerTel shareholders</li> <li>• a third party acquires voting power of at least 10% in PowerTel shares</li> <li>• PowerTel is in breach of its no-talk and no-shop obligations</li> <li>• before the Scheme becomes effective, a Competing Proposal is announced and either: (i) the proponent of the Competing Proposal acquires a relevant interest and/or an economic interest in at least 50% of PowerTel shares; (ii) that Competing Proposal is effected before the end of 6 months after being announced; or (iii) the Competing Proposal is recommended or promoted by any director of PowerTel</li> <li>• Telecom terminates the Agreement as a result of a material breach by PowerTel of its obligations under the Agreement</li> </ul> <p>A break fee of A\$3 million is payable by Telecom to PowerTel if PowerTel terminates the Agreement as a result of a material breach by Telecom of its obligations under the Agreement</p> <p>No break fee is payable if the Scheme becomes effective, or to the extent that a break fee is found to be unlawful, to involve a breach of directors' duties, or to constitute unacceptable circumstances.</p>
Termination	<p>The parties may terminate the Agreement on failure to satisfy conditions precedent, for an unremedied material breach by the other party, if the Scheme is not approved by the Court by 31 May 2007, if PowerTel's Directors changes their recommendation in certain circumstances including the presence of a superior offer, or if the Independent Expert concludes that the Scheme is not in the best interests of shareholders.</p>