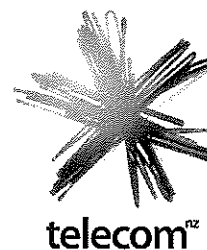


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MEDIA RELEASE



MED publishes regulatory discussion document

The Ministry of Economic Development (MED) has today released a discussion document outlining its initial thoughts on regulatory changes that may be required if Telecom structurally separates.

Telecom notes the paper and is reviewing its content. It is available at http://www.med.govt.nz/templates/StandardSummary_44741.aspx

Telecom indicated a willingness to structurally separate as part of its August 2 proposal on the government's Ultra-fast Broadband initiative.

The proposal is a package of structural separation, co-investing with the Crown to achieve the 75% UFB coverage objective by 2019, integration of the RBI to extend the reach of fibre into rural areas and regulatory and legislative change.

"There remains a long way to go in the UFB tender process and finding a solution for UFB that achieves the government's objectives while also being sustainable and economic is challenging. It will also be complex and challenging to arrive at a solution that will receive the necessary support of Telecom shareholders," said Paul Reynolds, CEO, Telecom.

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