Telecom Corporation of New Zealand Limited
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Private Bag 92028, Auckland 1142
New Zealand
www.telecom.co.nz

3 December 2010

Dear Shareholder,

The purpose of this letter is to inform you that amendments have been made to Telecom's dividend reinvestment plan (the '**Plan**'). The key amendments to the Plan are set out below.

CALCULATION OF THE VOLUME WEIGHTED AVERAGE SALE PRICE

The timeframe used for calculating the volume weighted average sale price ('**VWAP**') for a Telecom share under the Plan has been modified. The VWAP calculation will now be based on all trades of Telecom shares which took place through the NZSX over a period of five business days commencing on the ex date (two business days before the record date). Under the previous version of the Plan, the period commenced immediately following the record date.

Why is Telecom making this change to the Plan?

This change to the Plan is as a result of recent amendments to the NZSX Listing Rules. Shares on the NZSX now trade ex-dividend (or any other entitlement) two business days before the record date. Accordingly, the period for calculating the price of Telecom shares under the Plan was moved to ensure that the VWAP is calculated from the day that Telecom shares trade ex-dividend.

SHAREHOLDERS PARTICIPATING IN THE PLAN OUTSIDE NEW ZEALAND AND AUSTRALIA

Under the previous version of the Plan, non-residents of New Zealand were ineligible to participate if their participation in the Plan would breach overseas laws. The Plan has been modified so that participation in the Plan is now not available to Shareholders in a jurisdiction outside New Zealand or Australia if Telecom considers that to do so would:

(i) risk breaching the laws of places outside New Zealand or Australia; or

(ii) be unreasonable having regard to the associated costs of ensuring that the laws of those places are complied with.

Shareholders who apply to participate in the Plan and who reside outside New Zealand or Australia will be required to warrant to Telecom that the offer of the Plan and their participation in it would not breach any laws outside New Zealand or Australia.

Why is Telecom making this change to the Plan?

This change to the Plan is designed to reduce:

(i) the legal risks of offering the Plan in certain jurisdictions; and

(ii) the costs of offering the Plan in places where the number of Shareholders likely to participate in the Plan would not warrant the costs of complying with their local laws.

How are Shareholders who reside outside New Zealand and Australia affected?

Shareholders who reside outside New Zealand or Australia and currently participate in the Plan will continue to participate as previously elected unless Telecom determines otherwise. Shareholders who reside outside New Zealand or Australia and do not currently participate in the Plan will be advised of the availability of the Plan in their jurisdiction when they next apply to participate.

OTHER CHANGES TO THE PLAN

Other amendments have also been made to the Plan where necessary or to align the Plan with current market practice.

OTHER IMPORTANT INFORMATION

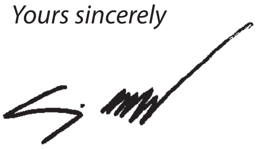
The revised Plan offer document is enclosed and is also available at http://investor.telecom.co.nz. The changes to the Plan will apply immediately to all currently participating shareholders and to any shareholder who elects to participate in the Plan in the future. As you already participate in the Plan, the participation notice referred to in the offer document has not been enclosed. If you wish to modify your participation in the Plan, please contact the Plan administrators:

Computershare Investor Services Limited
Phone: (NZ toll free) 0800 737 100 or +64 9 488 8700
Email: enquiry@computershare.co.nz

If you have any questions, please email the investor relations team at Telecom at investor-info@telecom.co.nz or call on the phone numbers listed below:

Australia - 1800 123 350
Canada - 1800 280 0398
Hong Kong - 800 962 867
New Zealand - 0800 737 500
Singapore - 800 641 1013
United Kingdom - 0800 960 283
United States - 1800 208 2130

Yours sincerely



Craig Mulholland
Company Secretary