Telecom Corporation of
New Zealand Limited
167 Victoria Street West
Auckland 1010

telecom[nz]

6 May 2011

Dear Shareholder

Information only, no action required

Notice to Dividend Reinvestment Plan Participants

Telecom has today announced that it has suspended the dividend reinvestment plan and the associated on-market share buyback of its ordinary shares in relation to its Q3 dividend, payable on Friday 3 June 2011.

As you are a current participant in the dividend reinvestment plan you do not need to take any further action, and will remain enrolled in the plan.

Your dividend for the 31 March 2011 quarter will either be direct credited to your bank account or paid by cheque. Your future dividends will be re-invested when the plan resumes, in accordance with your previous instructions.

Telecom believes that due to the ongoing negotiations with the government in relation to the Ultra Fast Broadband Initiative it is not prudent to proceed with the issue of shares under its dividend reinvestment plan for the 31 March 2011 quarter dividend, or to undertake the associated on-market buyback of Telecom ordinary shares. Telecom considers this approach to be in line with best practice corporate governance.

Accordingly, this letter is to notify you that the Telecom Board has resolved (pursuant to its discretion under clause 12(a)(ii) of the Terms and Conditions of the dividend reinvestment plan) that participation in the dividend reinvestment plan will not apply to the whole of the 3.5 cent dividend, or any associated supplementary dividend for the quarter to 31 March 2011.

If you have any questions, or would like further information, please contact Telecom Investor Relations on 0800 737 500 (NZ) or 1800 123 350 (AUS).

Yours sincerely

Craig Mulholland
Group Company Secretary