



MEDIA STATEMENT

21 June, 2011

Telecom communication constraints prior to release of demerger scheme booklet

Telecom has advised that as it progresses towards a shareholder vote on a potential demerger, it is subject to constraints regarding communication under New Zealand and international securities laws.

Telecom is working towards separating Chorus, its local access infrastructure business, into a stand-alone listed company, in order to allow it to participate in the government's Ultra-fast Broadband initiative.

Telecom's shareholders must vote in favour of the demerger proposal for it to proceed.

Securities laws require that Telecom presents all information relating to the potential demerger to all shareholders in the same way and at the same time. In addition, Telecom must not provide information that may influence shareholders' votes prior to the publication of this information, which will be released following the lodgement of Telecom's full year accounts.

"Telecom's strict adherence to the requirements of the Securities Act must be unshakeable, and as such we are subject to significant constraints regarding what we can and can't say on a matter of high interest to media, shareholders and employees," said Tina Symmans, Director, Corporate Relations. "We acknowledge that this must be frustrating for those of our stakeholders, including our own people, who would like to know more at this stage.

"But we reiterate our commitment to communicating extensively at a time and in a way that is appropriate and sanctioned under the Act.

Telecom is currently unable to provide any information that could reasonably be expected to encourage shareholders to vote either for or against demerger including:

- any description of the likely size, performance, and future strategy or areas of activity of either of the two companies that would be created by a demerger;
- other commentary relating to the proposed demerger.

Ms Symmans said that Telecom remained committed to openness and transparency with all stakeholders, whenever possible.

“We look forward to being able to re-engage with all of our stakeholders in detail on UFB and the potential demerger transaction as soon as we can.”

ENDS

For media queries, please contact:

Ian Bonnar

+64 (0) 27 215 7564

Or

Mark Watts

+64 27 250 4018

For investor queries, please contact:

Stefan Knight

+64 (0)27 252 9438