



19 August 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 Q4 dividend and special dividend, payable on Friday 16 September 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 and special dividend for the 30 June 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 UFB initiative and the associated potential demerger of Telecom, it is not prudent to proceed with the issue of shares under its dividend reinvestment plan for the 30 June 2011 quarter dividend and special dividend, or to undertake the associated on-market buyback of Telecom ordinary shares. Telecom considers that this approach is 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 dividend, special dividend, or any associated supplementary dividend, for the quarter to 30 June 2011.

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

Yours sincerely

Tristan Gilbertson
Group Company Secretary