



STOCK EXCHANGE ANNOUNCEMENT

20 October, 2011

Telecom Demerger Taxation Rulings

Telecom is pleased to announce that it has now received the draft Australian tax ruling and the final United States and New Zealand tax rulings as discussed in Section 12 of the scheme booklet dated 13 September 2011.

Draft Demerger Tax Ruling for Australian Shareholders

Telecom has received from the Australian Taxation Office (ATO) a draft of a Class Ruling which the ATO may issue in relation to the Demerger after it is completed. This draft Class Ruling is not binding on the ATO; the ATO would only be bound when it publishes a final ruling, which it is not expected to do until after completion of the Demerger (consistent with the ATO's usual practice in respect of such rulings). Subject to that qualification, the position expressed in the draft Class Ruling is that the demerger relief provisions would apply to the demerger of Chorus, so that Australian resident shareholders of Telecom would not be treated as receiving an assessable dividend and would be able to elect to disregard a capital gain or loss from the Demerger.

Telecom intends to put on its website a link to the final Class Ruling when it is published by the ATO as a final ruling. This statement updates section 12.3 of the Scheme Booklet which was published on 13 September 2011, prior to the receipt of the draft Class Ruling.

Demerger Tax Ruling for US Shareholders

Telecom has also received a private letter ruling from the United States Internal Revenue Service to the effect that the Demerger will qualify as a tax-free distribution to US holders of Telecom shares or Telecom American Depositary Shares for US federal income tax purposes subject to certain qualifications as detailed in the stock exchange announcement on 28 September 2011. That earlier stock exchange announcement is available at the following link:

<http://investor.telecom.co.nz/phoenix.zhtml?c=91956&p=irol-ufb>

Demerger Tax Ruling for New Zealand Shareholders

In addition, as indicated in the Scheme Booklet, Telecom has received a product ruling from the New Zealand Inland Revenue in relation to the New Zealand tax consequences of the demerger for TCNZ shareholders. That ruling is consistent with the expected New Zealand tax consequences of the demerger for shareholders as described in section 12.2 of the Scheme Booklet, and confirms, among other things, that the demerger distribution will not be treated as a dividend or any other form of assessable income for shareholders, for New Zealand tax purposes. This product ruling is available at the following link:

<http://investor.telecom.co.nz/phoenix.zhtml?c=91956&p=irol-ufb>

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