



5 April 2013

Dear ADR holder

**Telecom New Zealand's (NZTCY) ADR cancellation fees waived until 5 July 2013 to assist with Telecom's deregistration process**

**INTRODUCTION**

Telecom Corporation of New Zealand Limited (**Telecom**) has today announced that The Bank of New York Mellon (**BNYM**) will waive the cancellation fees for the holders of Telecom's American Depositary Receipts (**ADRs**) for a three month period until 5 July 2013. This will enable ADR holders to cancel their ADRs at no cost and in turn receive ordinary shares in Telecom.

This initiative is aimed at reducing the size of Telecom's ADR programme and consequently the volume of ADRs traded in the United States down to a level which would allow Telecom to deregister from the Securities Exchange Commission (**SEC**) and terminate its reporting obligations under the US Securities Exchange Act of 1934. Telecom does not currently meet the criteria for deregistration, however, it remains committed to permanently deregistering.

Telecom is undertaking a simplification and cost reduction exercise, to ensure it remains competitive in the market place. Deregistration is consistent with this objective as it will reduce Telecom's administration and compliance costs, and will also simplify Telecom's financial reporting. This initiative follows Telecom's delisting from the NYSE in July 2012 and the suspension of the issuance of new ADRs in September 2012.

**CANCELLATION FEES**

As a mechanism to assist with reducing the trading volumes of ADRs to the required level to allow for deregistration, it has been agreed that the cancellation fees associated with exiting the ADR programme, being US\$0.05 cents per ADR, will be waived for a three month period until 5 July 2013. Telecom and BNYM may choose to extend this period.

**DIVIDEND FEES**

In accordance with the terms of the depositary agreement between Telecom, BNYM and ADR holders, the dividend fee assessed for each dividend payment will be US\$0.02 cents per ADR, commencing with the dividend payable in April 2013. This will help to ensure that the ADR programme covers its costs.

**TERMINATION**

Telecom may consider termination of the ADR programme if it is unable to reduce trading volumes down to the level to allow for deregistration. In the event of termination, you will have the option to cancel your ADRs and receive ordinary shares, or your underlying ordinary shares will be sold and the cash proceeds refunded to you.

## QUESTIONS

If you have any questions, or would like further information, please contact Telecom Investor Relations [investor-info@telecom.co.nz](mailto:investor-info@telecom.co.nz) or phone (US) 1800 208 2130.

Yours sincerely

A handwritten signature in black ink, consisting of the letters 'LB' in a cursive, stylized font.

Laura Byrne  
Company Secretary