MEDIA RELEASE

22 February, 2013

TELECOM FY13 HALF YEAR RESULT

TELECOM ANNOUNCES $506 MILLION ADJUSTED EBITDA,

STRATEGIC SHIFT UNDERWAY

Telecom announced today adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) of $506 million for the six month period ending 31 December 2012.

Total EBITDA of the group was $516 million compared with $1,656 million for the prior comparative period. Total net profit after tax was $163 million, compared with $1,006 million previously.

Comparisons with previous periods are complicated by the demerger of Chorus which took effect from December 2011. Reporting on continuing operations, after adjusting for non-recurring or unusual items, provides a more meaningful view of Telecom's performance as a separate company. On this basis, adjusted EBITDA of $506 million was 3.7% higher than the prior comparative period, as reduced operating costs (principally due to lower labour costs and changes in Chorus trading arrangements) more than offset a decline in operating revenue.

The following table summarises Telecom group results from its continuing operations:

	REPORTED H1 FY13 $M	ADJUSTED H1 FY13 $M	ADJUSTED H1 FY12 $M	CHANGE
Total revenues	2,135	2,125	2,322	-8.5%
Operating costs	1,619	1,619	1,834	-11.7%
EBITDA	516	506	488	3.7%
Net earnings	163	156	99	57.6%
Capex	246	246	189	30.2%
Free cash flow	270	260	299	-13.0%

The Directors have declared an interim dividend of 8 cents per share (9 cents in the corresponding half year), carrying 75% imputation credits. The Dividend Reinvestment Plan has been retained and shares will be issued at the prevailing market price applied to ordinary shares.

Commenting on the result, Chairman Mark Verbiest said Telecom has begun the strategic shift from a traditional fixed line and mobile infrastructure company to a competitive, future-oriented mobile and data-centric service provider.

"Behind the headline numbers, our business is changing significantly. Mobile revenue is higher on the back of demand growth and there has been good growth in net customer connections since the closure of the CDMA network. On the other hand, fixed calling revenue has continued to decline in line with industry trends and following a strategic decision by our Australian unit AAPT to rationalise some low margin business. These revenue shifts reflect the major global trends as the telecommunications sector is becoming increasingly focused on mobile and data.

"In recognition of these new business realities, management is moving quickly to develop and implement a new corporate strategy. More details will be shared with investors in May. The Board fully supports management's commitment to fast-track the changes necessary to make Telecom a more competitive, customer-focused company with a clear focus on the data and mobility future."

H1 FY13 Highlights

Chief executive Simon Moutter said a focus during the half year was to improve market share performance in key segments by demonstrating clearly to customers a renewed determination to offer great products at competitive prices.

"In mobile, our overall mobile customer base has fallen as expected with the closure of the legacy CDMA network at the end of July, but we have experienced strong growth since August with 103,000 net additional connections. A key growth driver was the introduction of New Zealand's best value pre-paid pack, which offers generous allowances of calling, text and data for $19 per month and has proved very popular with customers. In addition, our flanking brand, Skinny, increased its popularity especially among younger consumers. We also focused on managing our subscriber acquisition and retention costs (SARC) to improve margins in our mobile business.

"We took further steps to improve our Smartphone mobile network. By December, we completed a programme to upgrade around 50% of the 3G network with Dual Carrier HSPA+ capability, building capacity and doubling download speeds for customers with Dual Carrier capable devices which are becoming more widely available. We are progressively extending coverage further across the 3G network, which already reaches 97% of where New Zealanders live and work, through initiatives such as planned co-location on more than 120 cell sites being developed under the Government's Rural Broadband Initiative. In December, we also began technical trials of next generation 4G LTE network technology, with customer trials commencing in February 2013.

"In broadband, we resolved to stabilise our market share after several years of progressive share decline. Our move in September to refresh our portfolio of broadband plans with new sharply-priced offerings met with a pleasing customer response. Over the half year, we acquired a net 13,000 additional customers, a good performance in the context of an intensively competitive marketplace. Although the combination of competitive pressures and our new pricing has impacted margins in the broadband business, we believe the right strategy is to look to consolidate our market share ahead of the rollout of our UFB product offering from the fourth quarter (April to June) of this financial year.

"We also showed our new competitive edge in December with a breakthrough approach to pricing for international data roaming. We introduced new flat rates of $6 per day for roaming in Australia and $10 per day in other top travel destinations. The flat fee approach provides certainty and simplicity, encouraging our customers to use their mobile devices overseas as they would in New Zealand and putting an end to any concerns about nasty bill shocks on the return home. The move is resonating strongly with our customers - in January 2013 (the first full month of the new pricing), roaming volumes were nearly three times higher than a year earlier," Mr Moutter said.

Telecom's ICT services division Gen-i experienced continued price-based competition and is focused on exiting low margin business and delivering cost reduction initiatives. "Gen-i maintains a leadership position in business markets, with a strong market share position in mobile among business customers," Mr Moutter commented. "We see good opportunities to strengthen the suite of ICT solutions delivered over our networks and, increasingly, via the Cloud – not just for Gen-i's traditional customer base, but also for smaller and medium sized businesses serviced by either Gen-i or our Retail business."

FY13 full year guidance

In August 2012, Telecom had indicated it expected flat to low single digit EBITDA decline in the current financial year. Telecom now expects adjusted EBITDA to be in the range $1,040 - $1,060 million. This change in guidance is primarily due to the broadband market having been more competitive than anticipated previously, as well as a softening in Gen-i's outlook.

"This guidance excludes any one-off costs associated with implementing the strategy which we anticipate recognising in the second half. We have a highly complex business and our operating costs are higher than our industry peers. We believe it is imperative that we move quickly to execute the new strategy and we must have a competitive cost base to succeed in a fast-changing marketplace," Mr Moutter commented.

ENDS

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Forward-looking statements and disclaimer

This announcement includes forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 regarding future events and the future financial performance of Telecom. Such forward-looking statements are based on the beliefs of management as well as on assumptions made by and information currently available at the time such statements were made.

These forward-looking statements can be identified by words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could' and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Telecom's control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this release. Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements are discussed herein and also include Telecom's anticipated growth strategies, Telecom's future results of operations and financial condition, economic conditions in New Zealand and Australia; the regulatory environment in New Zealand; competition in the markets in which Telecom operates; risks related to the sharing arrangements with Chorus, other factors or trends affecting the telecommunications industry generally and Telecom's financial condition in particular and risks detailed in Telecom's filings with the U.S. Securities and Exchange Commission. Except as required by law or the listing rules of the stock exchanges on which Telecom is listed, Telecom undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

The securities referred to in this announcement have not been, and will not be, registered under the United States Securities Act of 1933 or under the securities laws of any state or other jurisdiction of the United States. This announcement does not constitute an offer of securities in the United States or to any person to whom it would not be lawful outside Australia and New Zealand. Any securities described herein may not be offered or sold in the United States absent registration under the Securities Act or pursuant to an applicable exemption from registration, or to any person to whom it would not be lawful outside Australia and New Zealand.

Non-GAAP financial measures

Telecom results are reported under IFRS. This release includes non-GAAP financial measures which are not prepared in accordance with IFRS. The non-GAAP financial measures used in this presentation include:

1. EBITDA. Telecom calculates EBITDA by adding back (or deducting) depreciation, amortisation, finance expense/(income), share of associates' (profits)/losses and taxation expense to net earnings/(loss) from continuing operations.
2. Adjusted EBITDA. Adjusted EBITDA excludes significant one-off gains, expenses and impairments.
3. Capital expenditure. Capital expenditure is the additions to property, plant and equipment and intangible assets, excluding goodwill and other non-cash additions that may be required by IFRS such as decommissioning costs.
4. ARPU. Telecom calculates ARPU as revenue for the period (for mobile this is only voice and data) divided by an average number of customers.
5. Free cash flow. Free cash flow is defined as EBITDA less capital expenditure.
6. Adjusted free cash flow. Adjusted free cash flow utilises adjusted EBITDA rather than underlying EBITDA defined above.
7. Adjusted operating revenue. Adjusted operating revenue excludes significant one-off gains.
8. Adjusted net earnings. Adjusted net earnings are net earnings for the year adjusted by the same items to determine adjusted EBITDA, together with any adjustments to depreciation, amortisation and financing costs, whilst also allowing for any tax impact of those items.
9. Pro-forma EBITDA. EBITDA adjusted to reflect changes in Chorus trades upon demerger.

Telecom believes that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the financial performance, financial position or returns of Telecom, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. Non-GAAP financial measures as reported by Telecom may not be comparable to similarly titled amounts reported by other companies.

Telecom New Zealand

H1 FY13 RESULT BRIEFING

Chief Executive Officer – Simon Moutter
Chief Financial Officer – Nick Olson

Agenda

- ➢ Initial Observations
- ➢ Strategy Overview & Initial Interventions
- ➢ Group Result
- ➢ Capital Management
- ➢ Guidance

Initial Observations

- In best shape to compete since 2004, particularly in mobile
- We have some great assets (technology, products, people)
- Our brands are strong and can further broaden their appeal
- Our people want us to be more competitive and ambitious

Initial Observations

- Little management time is spent on regulation
- Real opportunity to focus resources on what matters most, our customers
- Anywhere, anytime broadband connectivity to applications hosted within our network or the cloud is now a real prospect

Telecom Post Demerger

T2 does not = T1 – C2	
T1	**T2**
Customer service	Customer intimate
Vertically integrated returns	Reseller margins in fixed
Fixed line centric	Increasingly mobile centric
Regulatory obligations	Lead the market
Legacy cost base	Simplification required
Walk backwards slowly	Compete to grow sensibly

Our Strategic Shift

FROM a traditional fixed and mobile infrastructure company ...

TO a future-oriented, competitive provider of communication, entertainment and IT services delivered over our networks and the Cloud

Emerging Strategic Priorities

Revolutionise Customer Experiences

Simplify The Business

Win Key Markets

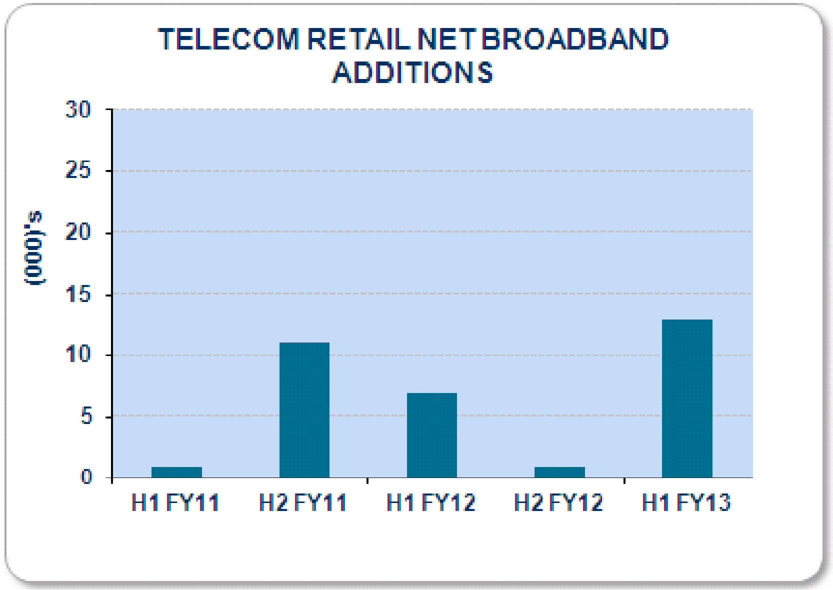
Win The Future

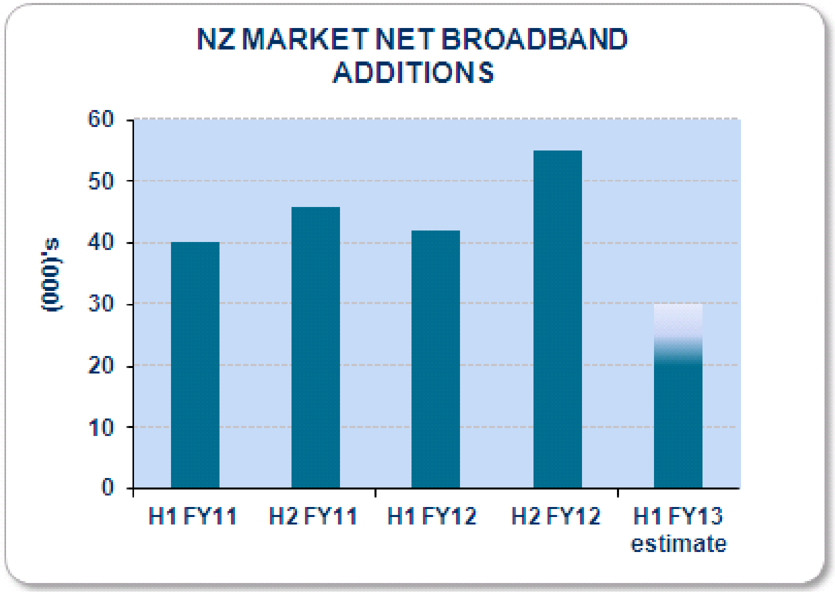
Initial Strategic Interventions

Initial Objectives	Actions Taken	Results to date
➢ Build new strategy	➢ Strategy built	➢ Now moving to implementation planning
➢ Stabilise share in broadband	➢ Rebased broadband plans ➢ Re-orientated the organisation to sell	➢ On track to holding broadband share
➢ Grow share in mobile and stimulate usage revenues	➢ Rebased mobile plans ➢ Re-orientated the organisation to sell	➢ Growing market share and value post closure of CDMA
➢ Maintain cost out momentum	➢ Granular SARC Management	➢ SARC/Rev ratio improved 6% points
	➢ Further simplification	➢ 7% reduction in labour costs
	➢ Review Chorus trades	➢ More efficient consumption of inputs

Demonstrating we will offer value at competitive prices

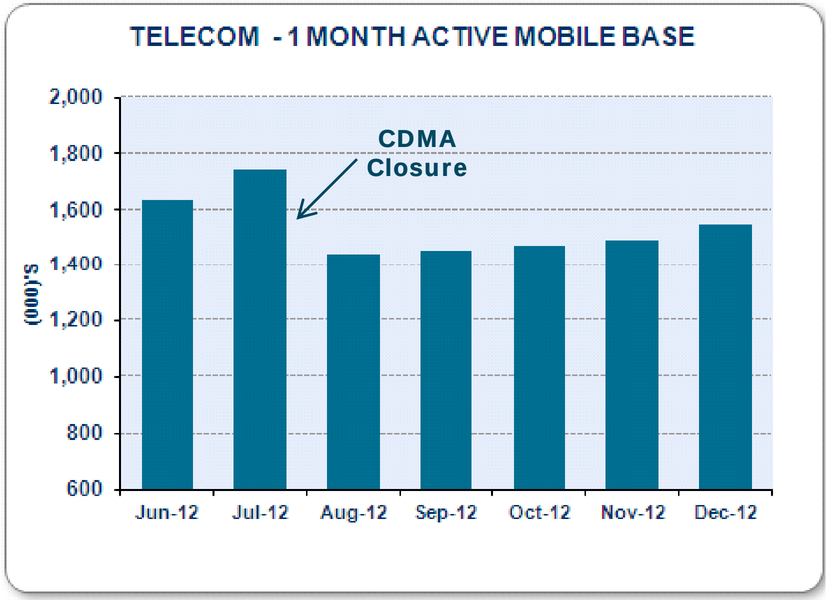
Stabilise share in Broadband

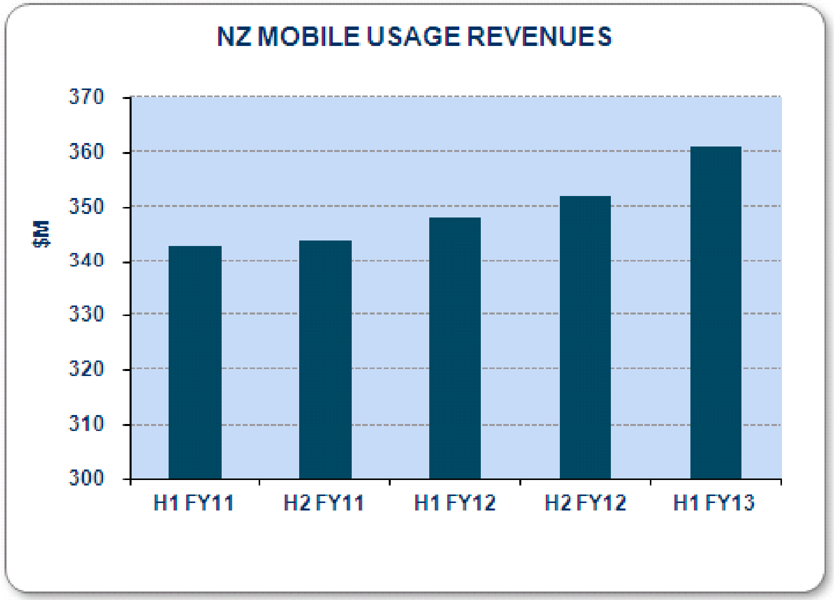




13k net additions, improved access churn
Rebasing of plans having negative impact on revenues

Grow share in Mobile
& stimulate Usage Revenues





4 consecutive months of base growth following closure of CDMA network on 31 July

Some lead indicators are encouraging

Strong growth in mobile connections, 103k net adds since closure of CDMA

Mobile usage revenues up 4% in H1, 5% in Q2

Postpaid SARC/Rev ratio improved 6% points

13k net broadband adds in H1

Retail access churn slowing, 5% in H1

21% growth in Gen-i IT Solutions EBITDA

7% reduction in labour costs, 5% excl AAPT

Further platform and product rationalisation 4,500 spot codes removed from system

[1] SARC/Rev = subscriber acquisition and retention costs / expected customer usage revenues

But still areas of concern

NZ fixed calling declining at 12%

Gen-i market evolving rapidly, with increased competitive intensity

Low margins on entry level broadband plans

AAPT faces a tough operating environment

Despite cost out activity to date, cost base remains uncompetitive

Wholesale revenues at risk as customers seek network cost savings

We must realign & simplify our business

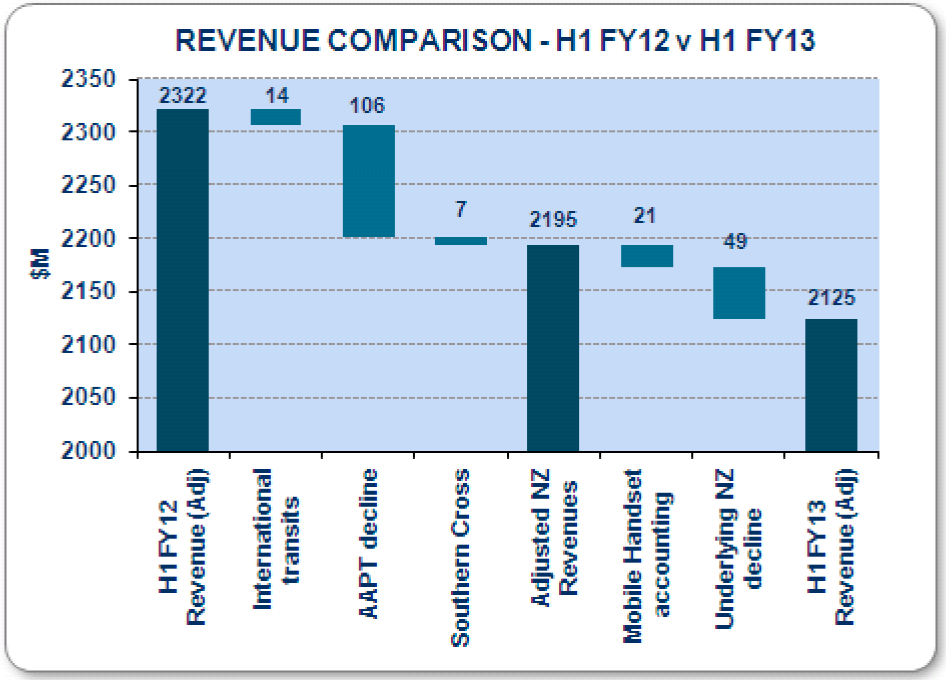
- Previous initiatives over recent years have had an impact
- Still have a highly complex business
- Our operating costs are higher than our industry peers
- We must have a competitive cost base to succeed in fast-changing marketplace
- Imperative we move quickly to execute new strategy
- Expect material one off costs in H2 associated with strategy implementation

Group results

	REPORTED	ADJUSTED	ADJUSTED[1]	
	H1 FY13 $M	H1 FY13 $M	H1 FY12 $M	CHANGE
Total Revenues	2,135	2,125	2,322	-8.5%
Operating Costs	1,619	1,619	1,834	-11.7%
EBITDA	516	506	488	3.7%
Net Earnings	163	156	99	57.6%
Capex	246	246	189	30.2%
Free Cash flow	270	260	299	-13.0%
EPS (cps)	8.8	8.4	5.1	64.7%

[1] Results from continuing operations

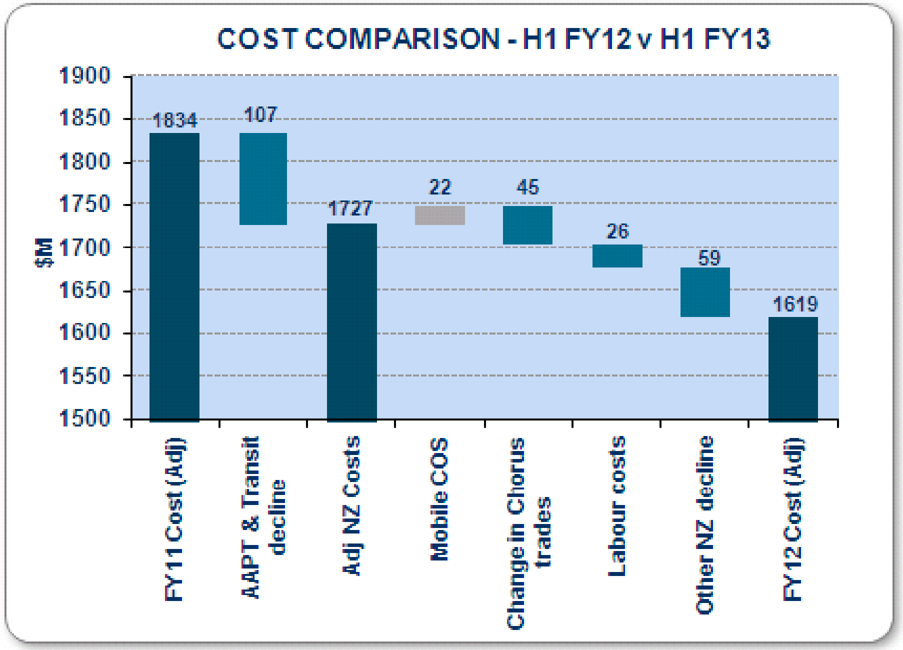
Revenues



- Top line decline 8.5%
- Underlying NZ revenue decline 2%
- $106m decline in AAPT - rationalisation of low margin customers
- $21m negative impact from change in handset accounting

Underlying NZ decline more modest than top line decline

Costs



- Significant reductions in AAPT cost base
- Increased mobile COS, due to higher acquisition rate
- Change in Chorus trading arrangements
- Labour costs excl AAPT, down 5%

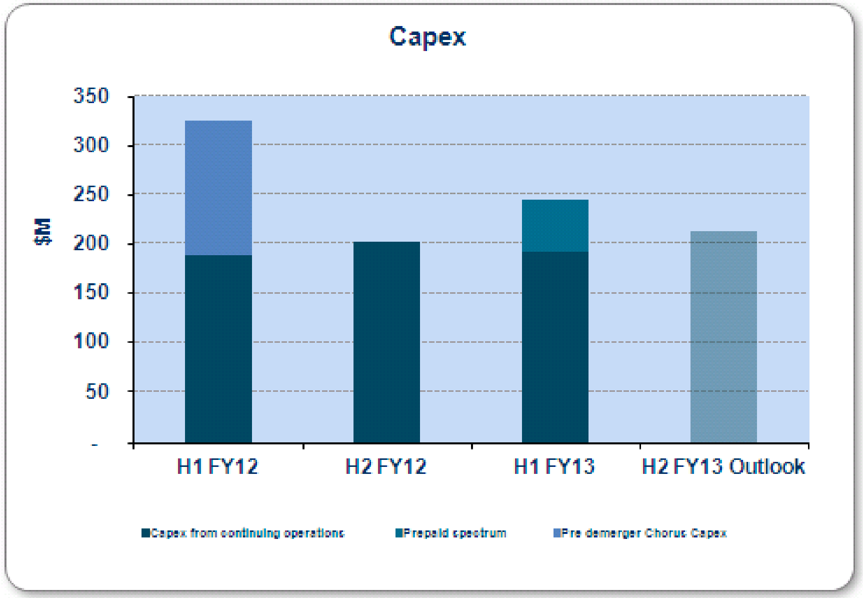
Maintaining a disciplined approach to costs

Segment Results – EBITDA

	H1 FY13 $M	H1 FY12 $M	CHANGE
Retail	357	346	3.2%
Gen-i	186	189	-1.6%
Wholesale & International	113	107	5.6%
AAPT	36	40	-10.0%
T&SS	-152	-155	1.9%
Corporate	-34	-39	12.8%
Adjusted EBITDA	**506**	**488**	**3.7%**
Pro forma adjustments		45	
Pro forma EBITDA	**506**	**533**	**-5.1%**

BU EBITDA result comparators are complicated by demerger

Capex



FY13 Capex Guidance remains ~$460m

Strategic investments in:

- **850 MHz spectrum**
- **Dual-carrier**
- **LTE trials**
- **Optical Transport Network**
- **Data centres (re-phased)**

H1 FY13 Capex of $246m includes $55m of spectrum prepaid in prior year

Capital Management

Committed to conservative capital structure and single A credit rating

Debt	Equity
$919m net debt	$283m share buyback complete
$250m 7 year notes issued	8.0cps H1 dividend, imputed 75%
Ave life of debt 3.3 years	Intention to deregister ADR programme
Ave cost of funds 5.8%	

No further share buybacks currently planned, other than to neutralise DRP

Guidance

	FY12[1]	FY13
Adjusted EBITDA	$1,092m	$1,040m to $1,060m[2]
Capex	$392m	~$460m
Dividend	90% payout	90% payout

[1] Pro-forma results from continuing operations

[2] Previously flat to low single digit percentage decline
Excludes one off costs in H2 associated with strategy implementation

Summary

- Strategy developed & being implemented, more detail in May
- Results reflect rebasing of broadband and mobile pricing
- Some lead indicators are encouraging
- Brands are gaining market traction
- Moving quickly to execute against new strategy

Investor Day 16 May, in Auckland

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Appendix

- Business Unit performance
- Restatements – partial cost allocation

Retail Performance

	H1 FY13 $M	H1 FY12 $M	CHANGE
External Revenues	927	962	-3.6%
EBITDA	357	346	3.2%

- Customer satisfaction measures remain high
- Heavy price based competition in fixed
- Net broadband additions and reduced access churn following rebasing of plans
- Strong performance in mobile
  - usage revenues up 6%
  - strong connection growth following the closure of CDMA
  - improved SARC management
- Labour costs down 8%
- Reduced Chorus costs following change in trades

Gen-i Performance

	H1 FY13 $M	H1 FY12 $M	CHANGE
External Revenues	618	647	-4.5%
Telco EBITDA	163	170	-4.1%
IT Solutions EBITDA	23	19	21.1%

- **Price based competition across fixed voice & data, mobile & IT**
- **Mobile usage revenues down 2%, impacted by closure of CDMA**
- **Focus on growing margin & profitability**
- **Labour costs down 8%**
- **Reduced Chorus costs following change in trades**

Wholesale & International performance

	H1 FY13 $M	H1 FY12 $M	CHANGE
External Revenues	280	297	-5.7%
EBITDA	113	107	5.6%

- **Revenue declines reflect exit of low margin transit revenues**
- **Wholesale access revenues remain strong, albeit risks exist as customers seek network cost savings**
- **Reduced inter-carrier costs due to price reductions and changes in Chorus trades**

AAPT Performance

	H1 FY13 $M	H1 FY12 $M	CHANGE
External Revenues	242	348	-30.5%
EBITDA	36	40	-10.0%

- Continued price pressure & industry consolidation prior to NBN
- Migration of final Consumer services to purchaser of consumer business
- Focused on cost management and customer retention
- Completed acquisition of Nextep in December, expected to be EBITDA neutral in FY13 and accretive thereafter

Shift to partial cost allocation

	FULL COST ALLOCATION	PARTIAL COST ALLOCATION
Adjusted EBITDA	**H1 FY12 $M**	**H1 FY12 $M**
Retail	233	346
Gen-i	123	189
Wholesale & International	79	107
AAPT	40	40
T&SS	1	-155
Corporate	12	-39
Total EBITDA	488	488
Pro-forma adjustments	45	45
Pro-forma EBITDA	533	533

For H1 FY13 Telecom has shifted from full cost allocation to partial cost allocation. Comparative financials for H1 FY12 have been represented as above

Telecom Group

Adjusted Group result

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted operating revenues and other gains					
Local service	486	469	457	448	436
Calling	479	449	394	360	330
Interconnection	100	95	53	51	47
Mobile	405	420	445	459	455
Data	291	283	268	259	259
Broadband and internet	250	237	238	216	203
IT services	274	287	267	277	266
Resale	124	111	93	50	37
Other operating revenue	114	85	97	90	91
Other gains	14	13	10	8	1
Adjusted operating revenues and other gains	**2,537**	**2,449**	**2,322**	**2,218**	**2,125**
Adjusted operating expenses					
Labour	421	411	411	386	384
Intercarrier costs	801	758	641	519	480
Other operating expenses	828	767	782	753	755
Adjusted operating expenses	**2,050**	**1,936**	**1,834**	**1,658**	**1,619**
Adjusted EBITDA - continuing operations	**487**	**513**	**488**	**560**	**506**
Adjusted EBITDA - discontinued operations	381	420	321	-	-
Adjusted EBITDA - total	**868**	**933**	**809**	**560**	**506**

Analysis & KPI's

	H1 FY11	H2 FY11	H1 FY12	H2 FY12	H1 FY13
Calling					
National - $m	281	263	238	225	204
International - $m	180	165	139	120	112
Other - $m	18	21	17	15	14
	479	449	394	360	330
Broadband and internet					
Broadband revenue - $m	226	216	219	201	191
Internet revenue - $m	24	21	19	15	12
	250	237	238	216	203
Other Operating Expenses					
Mobile Cost of Sales - $m	126	117	153	182	175
Other Cost of Sales - $m	164	169	155	163	154
Other operating expenses - $m	538	481	474	408	426
	828	767	782	753	755
FTE Permanent - continuing operations	7,590	7,733	7,454	7,461	7,120
FTE Contractors - continuing operations	703	620	446	442	410
FTE Total - continuing operations	8,293	8,353	7,900	7,903	7,530
Basic EPS	9	-	52	8	9
Basic EPS (Adjusted)	8	12	12	9	8
Dividend per share declared	7.0	13.0	9.0	11.0	8.0

Telecom Group

Adjusted revenue and adjusted EBITDA by Unit

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted operating revenue and other gains					
Wholesale & International	369	359	337	314	312
Retail	1,012	1,003	962	966	928
Gen-i	705	697	672	663	639
AAPT	477	423	370	294	263
T&SS	56	42	38	29	28
Corporate	55	42	45	50	44
Eliminations	(137)	(117)	(102)	(98)	(89)
	2,537	2,449	2,322	2,218	2,125
Adjusted EBITDA					
Wholesale & International	107	99	107	114	113
Retail	354	364	346	382	357
Gen-i	170	194	189	200	186
AAPT	46	44	40	48	36
T&SS	(159)	(146)	(155)	(151)	(152)
Corporate	(31)	(42)	(39)	(33)	(34)
Continuing operations	487	513	488	560	506
Discontinued operations	381	420	321	-	-
Total group adjusted EBITDA	868	933	809	560	506

Telecom

Financial breakdown by business unit - Wholesale & International

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted operating revenues and other gains					
Local service	107	111	117	119	124
Calling	136	126	103	91	84
Interconnection	12	11	10	11	10
Mobile	4	2	2	2	5
Data	42	49	49	49	46
Broadband and internet	1	-	-	1	-
Other operating revenue	9	9	10	9	11
Internal revenue	58	51	40	32	32
Other gains	-	-	6	-	-
	369	359	337	314	312
Adjusted operating expenses					
Labour	14	14	12	10	10
Intercarrier costs	207	208	185	163	161
Other operating expenses	16	11	9	18	21
Internal expenses	25	27	24	9	7
	262	260	230	200	199
Adjusted EBITDA	**107**	**99**	**107**	**114**	**113**

The financial results of Wholesale & International represent, and have been re-presented for, continuing operations only and exclude certain regulated Wholesale results that have been allocated to discontinued operations.

Analysis & KPI's - Wholesale & International

	H1FY11	H2 FY11	H1 FY12	H2 FY12	H1 FY13
Local Service					
Access Lines (000)	402	414	417	440	442
Analysis of international transits:					
International transit revenue - $m	114	104	85	74	71
International intercarrier costs - $m	96	88	67	57	55
FTE Permanent	266	259	206	206	207
FTE Contractors	4	7	2	3	-
FTE Total[1]	270	266	208	209	207

[1] 50 FTEs related to regulated Wholesale have been removed from the prior comparative periods H1 FY11 to H2 FY11.

Telecom

Financial breakdown by business unit - Retail

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted operating revenues and other gains					
Local service	320	305	296	285	272
Calling	155	147	134	126	118
Interconnection	61	61	22	20	20
Mobile	296	313	328	344	340
Data	10	9	9	9	9
Broadband and internet	150	150	158	157	149
IT services	6	5	4	5	3
Other operating revenue	14	13	11	14	16
Internal revenue	-	-	-	3	1
Other gains	-	-	-	3	-
	1,012	1,003	962	966	928
Adjusted operating expenses					
Labour	71	67	66	67	61
Intercarrier costs	275	257	204	179	160
Other operating expenses	181	159	218	323	334
Internal expenses	131	156	128	15	16
	658	639	616	584	571
Adjusted EBITDA	**354**	**364**	**346**	**382**	**357**

Analysis & KPI's - Retail

	H1 FY11	H2 FY11	H1 FY12	H2 FY12	H1 FY13
Local Service					
Access Lines (000)	1,099	1,061	1,023	976	949
Broadband connections (000)	580	591	598	599	612
FTE Permanent	1,962	1,805	1,778	1,725	1,606
FTE Contractors	96	134	123	125	138
FTE Total	2,058	1,939	1,901	1,850	1,744

Telecom

Financial breakdown by business unit - Gen-i

Gen-i Total	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted operating revenues and other gains					
Local service	50	48	44	44	40
Calling	75	75	68	65	62
Interconnection	7	6	3	2	2
Mobile	95	97	110	108	107
Data	168	147	140	134	132
Broadband and internet	11	8	8	9	9
IT services	268	282	263	272	262
Resale	2	2	1	1	-
Other operating revenue	8	6	6	4	4
Internal revenue	21	26	25	24	21
Other gains	-	-	4	-	-
	705	697	672	663	639
Adjusted operating expenses					
Labour	162	156	156	138	144
Intercarrier costs	53	51	44	42	41
Other operating expenses	228	218	214	244	233
Internal expenses	92	78	69	39	35
	535	503	483	463	453
Adjusted EBITDA	**170**	**194**	**189**	**200**	**186**

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted EBITDA - Telecommunications solutions	155	165	170	173	163
Adjusted EBITDA - IT solutions	15	29	19	27	23
Total	**170**	**194**	**189**	**200**	**186**

Analysis & KPI's - Gen-i

	H1 FY11	H2 FY11	H1 FY12	H2 FY12	H1 FY13
Local Service					
Access Lines (000)	78	76	74	73	68
Broadband connections (000)	19	19	19	20	19
FTE Permanent - Telcommunications solutions	986	953	880	903	906
FTE Permanent - IT solutions	1,556	1,580	1,448	1,436	1,341
Total FTE Permanent	2,542	2,533	2,328	2,339	2,247
FTE Contractors - Telcommunications solutions	67	36	25	27	20
FTE Contractors - IT solutions	241	199	119	106	94
Total FTE Contractors	308	235	144	133	114
FTE Total	2,850	2,768	2,472	2,472	2,361

Telecom

Analysis & KPI's - Mobile

	H1 FY11	H2 FY11	H1 FY12	H2 FY12	H1 FY13
Mobile (Retail & Gen-i)					
Mobile revenue:					
Voice revenue - $m	208	207	202	195	195
Data revenue - $m	135	137	146	157	166
Other mobile revenue - $m	48	66	90	100	86
	391	410	438	452	447
New Zealand average revenue per user (ARPU) **6 month active**					
ARPU - $ per month	26.87	26.64	29.18	29.14	34.61
Postpaid - $ per month	54.79	54.11	55.59	55.36	59.02
Prepaid - $ per month	9.52	9.63	10.29	9.35	10.83
Voice - $ per month	16.32	16.05	16.91	16.14	18.68
Data - $ per month	10.54	10.59	12.26	13.00	15.93
Number of mobile customers at period end (000) (New Zealand - Group) **6 month active**					
Postpaid	829	830	857	893	863
Prepaid	1,347	1,249	1,157	1,123	847
Internal postpaid	16	18	17	15	13
Total mobile customers (CDMA & WCDMA)[1]	2,192	2,097	2,031	2,031	1,723
WCDMA Postpaid (000)	518	607	723	830	876
WCDMA Prepaid (000)	492	576	669	735	847
Total WCDMA customers (000)[1]	1,010	1,183	1,392	1,565	1,723
Number of mobile customers at period end (000) (New Zealand - Group) **1 month active**					
Total mobile customers[1]				1,634	1,547

[1]Mobile connections exclude MVNO connections.

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Financial breakdown by business unit - AAPT

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m	H1 FY11 A$m	H2 FY11 A$m	H1 FY12 A$m	H2 FY12 A$m	H1 FY13 A$m
Adjusted operating revenues and other gains										
Local service	9	5	-	-	-	8	3	-	-	-
Calling	113	101	89	78	66	88	76	70	60	51
Interconnection	20	17	18	18	15	15	14	14	14	13
Mobile	10	8	5	5	3	8	6	4	4	3
Data	71	78	70	67	72	56	59	55	52	57
Broadband and internet	88	79	72	49	45	70	59	56	38	35
Resale	122	109	92	49	37	95	82	71	38	29
Other operating revenue	4	-	2	4	3	3	-	2	3	2
Internal revenue	40	26	22	24	21	32	19	17	18	15
Other gains	-	-	-	-	1	-	-	-	-	1
	477	423	370	294	263	375	318	289	227	206
Adjusted operating expenses										
Labour	75	74	64	65	63	59	54	51	50	49
Intercarrier costs	264	241	208	134	118	207	182	162	104	92
Other operating expenses	61	41	38	30	34	48	30	29	24	28
Internal expenses	31	23	20	17	12	23	19	16	13	10
	431	379	330	246	227	337	285	258	191	179
Adjusted EBITDA	**46**	**44**	**40**	**48**	**36**	**38**	**33**	**31**	**36**	**27**

Analysis & KPI's - AAPT

	H1 FY11	H2 FY11	H1 FY12	H2 FY12	H1 FY13
FTE Permanent	882	781	768	751	733
FTE Contractors	34	9	14	14	8
FTE Total	916	790	782	765	741

Telecom

Financial breakdown by business unit - T&SS

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted operating revenues and other gains					
Other operating revenue	7	8	14	24	28
Internal revenue	35	26	24	-	-
Other gains	14	8	-	5	-
	56	42	38	29	28
Adjusted operating expenses					
Labour	53	54	62	57	57
Intercarrier costs	2	1	-	1	-
Other operating expenses	156	124	123	116	118
Internal expenses	4	9	8	6	5
	215	188	193	180	180
Adjusted EBITDA	**(159)**	**(146)**	**(155)**	**(151)**	**(152)**

Analysis & KPI's - T&SS

FTE Permanent	1,382	1,805	1,766	1,814	1,733
FTE Contractors	222	201	117	132	133
FTE Total	1,604	2,006	1,883	1,946	1,866

Telecom

Financial breakdown by business unit - Corporate

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted operating revenues and other gains					
IT services	-	-	-	-	1
Other operating revenue	43	27	33	35	29
Internal revenue	12	10	12	15	14
Other gains	-	5	-	-	-
	55	42	45	50	44
Adjusted operating expenses					
Labour	46	46	51	49	49
Other operating expenses	32	25	25	22	15
Internal expenses	8	13	8	12	14
	86	84	84	83	78
Adjusted EBITDA	**(31)**	**(42)**	**(39)**	**(33)**	**(34)**

Analysis & KPI's - Corporate

Southern Cross Dividends - $m	39	32	26	32	19
FTE Permanent	556	550	608	626	594
FTE Contractors	39	34	46	35	17
FTE Total	595	584	654	661	611

Telecom Group

Capex Summary

	H1 FY11[2] NZ$m	H2 FY11[2] NZ$m	H1 FY12[2] NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Transformation and regulation					
FTTN	68	68	40	-	-
FNT	7	1	-	-	-
Retail NGT	40	25	23	13	-
Separation	57	34	12	-	-
UFB[1]	-	-	43	(14)	4
RBI	-	-	11	1	2
IT systems simplification	-	-	-	-	8
Other regulatory	2	3	1	3	5
Total transformation and regulation	174	131	130	3	19
Business sustaining					
WCDMA mobile network	63	44	42	46	81
IT systems	29	26	25	34	42
Gen-i	37	29	13	51	20
AAPT	39	17	18	22	21
Southern Cross capacity	-	4	1	3	11
Network maintenance and growth	73	111	55	12	24
New products and services	29	32	18	6	12
Other business sustaining	36	40	23	26	16
Total business and sustaining	306	303	195	200	227
Total Group	480	434	325	203	246
Less: Discontinued operations capex	n/a	n/a	136	-	-
Continuing operations capex	n/a	n/a	189	203	246

Capital expenditure is presented on an accruals basis.

[1]UFB costs for H1 FY12 and H2 FY12 were affected by reassessment made across FY12 of estimates made around demerger date.

[2]Capital expenditure in periods H1 FY11 to H1 FY12 included amounts relating to the discontinued operations.