STOCK EXCHANGE ANNOUNCEMENT

21 August 2013

Telecom historical financial information

In advance of Telecom's FY13 full year profit announcement on Friday 23 August, Telecom has today released restated historical revenues, to assist analysts in recalibrating their models.

Telecom has changed its reported revenue categories to better reflect how management report internally. The primary change is to allocate interconnection revenues between fixed and mobile revenues. Total revenues remain unchanged.

- ends –

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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					
Fixed	1,676	1,589	1,489	1,373	1,302
Mobile	468	478	464	476	468
IT Services	269	287	267	276	269
Other operating revenue	110	82	92	85	79
Other gains	14	13	10	8	7
Internal Revenue	-	-	-	-	-
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
Asset impairments	-	-	-	-	-
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**
Depreciation and amortisation expense - continuing operations	377	331	284	292	269
Net finance expense - continuing operations	63	74	59	21	22
Adjusted taxation expense - continuing operations	29	39	46	65	59
Share of associates' net profits	1	-	-	-	-
Adjusted net earnings after tax - continuing operations	19	69	99	182	156

Analysis & KPI's

	H1 FY11	H2 FY11	H1 FY12	H2 FY12	H1 FY13
Fixed revenue					
Access	448	437	435	428	419
Voice/Calling	553	517	462	426	392
Broadband	272	260	261	236	222
Data	228	215	202	195	198
Other	175	160	129	88	71
	1,676	1,589	1,489	1,373	1,302
Mobile revenue					
Mobile usage	343	341	345	351	360
Mobile other	125	137	119	125	108
	468	478	464	476	468
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

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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	41	38	29	28
Corporate	55	43	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

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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					
Fixed	294	294	276	268	263
Mobile	5	4	3	3	5
IT services	1	-	-	1	1
Other operating revenue	11	10	12	10	11
Other gains	-	-	6	-	-
Internal Revenue	58	51	40	32	32
	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
Asset impairments	-	-	-	-	-
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
Fixed					
Access	102	106	111	114	119
Voice/Calling	151	139	117	105	99
Broadband	2	1	2	1	1
Data	33	38	39	39	37
Other	6	10	7	9	7
	294	294	276	268	263
<u>Analysis of international transits:</u>					
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	270	266	208	209	207

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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					
Fixed	650	627	609	590	559
Mobile	349	362	342	356	352
IT services	2	2	1	1	1
Other operating revenue	11	12	10	13	15
Other gains	-	-	-	3	-
Internal Revenue	-	-	-	3	1
	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
Fixed					
Access	288	275	268	260	249
Voice/Calling	195	185	168	159	148
Broadband	153	152	160	159	151
Data	3	2	2	2	2
Other	11	13	11	10	9
	650	627	609	590	559
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

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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					
Fixed	309	279	263	252	243
Mobile	104	104	114	112	108
IT Services	266	285	266	274	266
Other operating revenue	5	3	-	1	1
Other gains	-	-	4	-	-
Internal Revenue	21	26	25	24	21
	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
Asset impairments	-	-	-	-	-
Internal expenses	92	78	69	39	35
	535	503	483	463	453
Adjusted EBITDA	**170**	**194**	**189**	**200**	**186**
Adjusted EBITDA - Telecommunications solutions	155	165	170	173	163
Adjusted EBITDA - IT services	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
Fixed					
Access	58	56	56	54	51
Voice/Calling	94	92	88	82	78
Broadband	29	28	27	27	26
Data	121	97	91	87	87
Other	7	6	1	2	1
	309	279	263	252	243
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

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Analysis & KPI's - Mobile

	H1 FY11	H2 FY11	H1 FY12	H2 FY12	H1 FY13
Mobile (Retail & Gen-i)					
Mobile revenue:					
Voice revenue - $m	204	204	199	192	192
Data revenue - $m	134	135	144	154	163
Other mobile revenue[1]	115	127	113	122	105
	453	466	456	468	460
New Zealand average revenue per user (ARPU) **6 month active**					
ARPU - $ per month	26.65	26.09	28.45	28.54	33.75
Postpaid - $ per month	53.31	52.10	53.25	53.51	56.43
Prepaid - $ per month	9.64	9.63	10.29	9.41	11.32
Voice - $ per month	16.11	15.72	16.48	15.85	18.30
Data - $ per month	10.54	10.37	11.97	12.69	15.45
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[2]	2,192	2,097	2,031	2,031	1,723

1 Other mobile revenue includes handset sales and mobile interconnect.

2 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										
Fixed	423	389	341	261	235	332	293	266	202	185
Mobile	10	8	5	5	3	8	6	4	4	3
IT services	-	-	-	-	-	-	-	-	-	-
Other operating revenue	4	-	2	4	3	3	-	2	3	2
Other gains	-	-	-	-	1	-	-	-	-	1
Internal Revenue	40	26	22	24	21	32	19	17	18	15
	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 A$m	H2 FY11 A$m	H1 FY12 A$m	H2 FY12 A$m	H1 FY13 A$m
Fixed					
Access	-	-	-	-	-
Voice/Calling	88	76	70	60	50
Broadband	69	60	56	38	35
Data	56	59	55	52	57
Other (includes resale)	119	98	85	52	43
	332	293	266	202	185
FTE Permanent	882	781	768	751	733
FTE Contractors	34	9	14	14	8
FTE Total	916	790	782	765	741

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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					
Fixed	-	-	-	2	2
Mobile	-	-	-	-	-
IT services	-	-	-	-	-
Other operating revenue	36	29	35	22	26
Other gains	14	8	-	5	-
Internal Revenue	6	4	3	-	-
	56	41	38	29	28
Adjusted operating expenses					
Labour	53	54	62	57	57
Intercarrier costs	2	1	-	1	-
Other operating expenses	156	123	123	116	118
Asset impairments	-	-	-	-	-
Internal expenses	4	9	8	6	5
	215	187	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

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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					
Fixed	-	-	-	-	-
Mobile	-	-	-	-	-
IT services	-	-	-	-	1
Other operating revenue	43	28	33	35	23
Other gains	-	5	-	-	6
Internal Revenue	12	10	12	15	14
	55	43	45	50	44
Adjusted operating expenses					
Labour	46	46	51	49	49
Intercarrier costs	-	-	-	-	-
Other operating expenses	32	26	25	22	15
Asset impairments	-	-	-	-	-
Internal expenses	8	13	8	12	14
	86	85	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

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Costs summary

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Adjusted operating expenses					
Labour	421	411	411	386	384
	421	**411**	**411**	**386**	**384**
Intercarrier costs					
Baseband and access charges	265	259	264	262	245
Other intercarrier costs	536	499	377	257	235
	801	**758**	**641**	**519**	**480**
Other operating expenses					
Direct costs	66	56	59	46	47
Mobile acquisitions, upgrades and dealer commissions	126	118	153	183	175
Procurement and IT Services	164	173	154	163	156
Broadband and internet	128	149	122	129	121
Computer costs	98	60	51	38	43
Advertising promotions and communications	42	26	37	28	41
Accommodation and co-location	86	92	88	64	67
Bad debts	10	8	6	3	7
Field service costs	25	28	28	23	25
Other expenses	83	57	84	76	73
	828	**767**	**782**	**753**	**755**

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Capex Summary

	H1 FY11 NZ$m	H2 FY11 NZ$m	H1 FY12 NZ$m	H2 FY12 NZ$m	H1 FY13 NZ$m
Major Programs:					
Optical transport network	-	-	-	-	14
Re-engineering	-	-	-	-	8
Mobile network	61	43	46	48	29
Mobile spectrum	-	-	-	-	54
	61	43	46	48	105
Revenue retention and sustain:					
Southern Cross	-	4	1	3	11
AAPT	38	18	18	22	21
Regulatory	23	9	8	7	2
Revenue retention and sustain other	166	148	116	123	107
	227	179	143	155	141
Chorus	192	212	136	-	-
Total Group	**480**	**434**	**325**	**203**	**246**

Capital expenditure is presented on an accruals basis.

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Adjusted revenue category changes - H1 FY13

	Fixed NZ$m	Mobile NZ$m	IT services NZ$m	Other operating revenues NZ$m	Other gains NZ$m	Total NZ$m
Local service	433		3			**436**
Calling	330					**330**
Interconnection	34	11		2		**47**
Mobile		455				**455**
Data	259					**259**
Broadband and internet	203					**203**
IT services	2	2	262			**266**
Resale	37					**37**
Other operating revenues	4		4	77		**85**
Other gains					7	**7**
Total	**1,302**	**468**	**269**	**79**	**7**	**2,125**