

9 December 2013



Telecom announces sale of AAPT for A\$450 million

Telecom is pleased to announce that it has entered into a binding agreement to sell AAPT for A\$450 million to TPG Telecom Limited.

This transaction represents approximately 6.4x AAPT's current recurring annualised EBITDA run-rate of approximately A\$70m. The agreement is free of conditions precedent and, subject to the finalisation of routine mechanical steps, the transaction will complete on 28 February 2014.

As announced at its investor strategy day in May 2013, Telecom's strategic ambition is to become a growing New Zealand company and a future-oriented, competitive provider of communication, entertainment and IT services delivered over its networks and the Cloud.

"The sale of AAPT is consistent with this strategy and with our desire to focus principally on our New Zealand operations and on the needs of New Zealand customers," said Telecom Chief Executive, Simon Moutter.

Following a period of cost reduction and operational improvement, AAPT has been focused on a revenue growth plan within business and wholesale markets, using its strong network capabilities.

"AAPT is performing well. David Yuile and his management team have done an impressive job during the last three years to simplify, stabilise and reshape the company. By focusing on AAPT's wholesale and corporate businesses, the management team has grown the customer base and, most importantly, driven profitable growth," said Mr Moutter.

AAPT CEO David Yuile said he believed AAPT was now well-positioned in the Australian market as a business and wholesale telecommunications infrastructure company.

"We are very energised by the progress we have made and the massive turnaround AAPT has experienced after several years of hard work and tough decisions. AAPT is now ready for another chapter in its evolution and we look forward to the future."

Telecom anticipates in the first instance sale proceeds will be used to repay debt. Telecom will provide further guidance on the use of the proceeds at its H1 FY14 profit announcement on 21 February 2014, within the context of its strategic turnaround programme, and the intention to maintain both a conservative capital structure and sustainable dividend.

This transaction follows the sale of AAPT's consumer division in September 2010.

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