



## **STOCK EXCHANGE ANNOUNCEMENT**

**13 March 2013**

### **TELECOM ANNOUNCES CHANGE IN FOCUS FOR GEN-I AUSTRALIA**

Telecom said today it has undertaken a strategic review of the Australian operations of its ICT services unit, Gen-i, which will result in a significant change in focus for Gen-i Australia.

Gen-i Australia will now concentrate on supporting large corporate customers (based either in New Zealand or Australia) with specific trans-Tasman ICT services requirements. It will be exiting from other customer activities which fall outside this refined business focus.

As a result of these changes, total staff numbers at Gen-i Australia will fall from approximately 180 to about 60 employees. In addition to redundancy costs, it is anticipated there will be other restructuring costs associated with this action.

Where feasible, Gen-i Australia will look to transfer some customer activities across to AAPT, a wholly-owned Telecom subsidiary and Australia's largest business-only telecommunications network provider.

As previously announced, Telecom group expects to recognise a material one-off charge in the second half of the current financial year (FY13), as it implements a strategic shift to a future-oriented, competitive provider of communication, entertainment and IT services delivered over its networks and the Cloud. Costs associated with Gen-i Australia will be included in this charge, which is excluded from the group's stated guidance for FY13 of adjusted EBITDA in the range \$1,040 - \$1,060 million.

Tim Miles, Gen-i CEO, commented: "Gen-i Australia was originally set up about 13 years ago to serve the trans-Tasman needs of existing corporate customers. Over the years, it has broadened its activities within the Australian ICT services market – but we have never had the scale to compete effectively in these other market segments.

"We believe the time is right to return to Gen-i Australia's core purpose and renew our focus on trans-Tasman ICT services – an area where we have a strong track record of success, proven capabilities, an excellent roster of corporate customers, and the necessary scale to compete effectively.

"The trans-Tasman market has good growth potential as the New Zealand and Australian economies grow closer together, facilitated by improved data connectivity. Nowadays, around 40% of New Zealand's international internet traffic is between Australia and New Zealand, versus just 10% in 2000, and the construction of data centres is a growth industry in both countries. This trend is set to continue with initiatives such as the proposed Tasman Global Access telecommunications cable, in which Telecom intends to be a key investor."

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