SILVANA ROEST
Company Secretary

ASX Market Announcements
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000
Australia

21 February 2014

TELECOM H1 FY14 RESULTS

Dear Sir/Madam

In accordance with ASX Listing Rule 4.2A, I enclose the following for release to the market in relation to Telecom's H1 FY14 Results:

1. Appendix 4D
2. Half Year Report
3. Director Declaration
4. Appendix 7 (NZX form)

Telecom's Chief Executive, Simon Moutter, and Chief Financial Officer, Jolie Hodson, will discuss the H1 FY14 Results at 10:00am New Zealand time today.

This Announcement will also be released to the NZX and SEC. Supplementary documentation related to this results announcements will follow.

Yours sincerely

SRoest

Silvana Roest
Company Secretary

Telecom Corporation of New Zealand Limited
Results for announcement to the market

Half year information given to ASX under Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2013 Annual Report.

Reporting Period:	6 months to 31 December 2013
Previous Reporting Period:	6 months to 31 December 2012

The information below supplements the information disclosed in the attached Half Year Report:

	Six months ended 31 December 2013 (NZ$000)	Percentage change
Revenue from ordinary activities (excludes discontinued operations)	1,847,000	Down 3.0%
Profit from ordinary activities after tax attributable to security holders (excludes discontinued operations)	147,000	Down 12.5%
Total net profit from all activities, attributable to security holders (including discontinued operations)	167,000	Up 2.5%

Dividends

	Amount per security	Imputed amount per security
First half ordinary dividend	8.0cps	2.3333cps

Record date	21 March 2014
Dividend payment date	11 April 2014

New Zealand imputation credits of 2.3333 cents per security are attached to each interim dividend. A supplementary dividend of 1.0588 cents per security will be payable to shareholders who are not resident in New Zealand.

Dividend reinvestment plan
The Dividend Reinvestment Plan has been retained. For the H1 FY14 dividend, shares issued under the Dividend Reinvestment Plan will be issued at the prevailing market price applied to ordinary shares. The last date for shareholders to elect to participate in the Dividend Reinvestment Plan for the H1 FY14 dividend is 21 March 2014. These mechanisms will be reviewed at each dividend date.

Net tangible assets per security

	December 2013	December 2012
Net tangible assets per security	NZ$0.24	NZ$0.27

Control of entities gained or lost during period
Nil.

Associates and Joint Venture entities

Equity accounted associates and joint venture entities	Percentage of ownership interest held at end of period		Contributions to net profit NZ$'000	
	December 2013	December 2012	December 2013	December 2012
Pacific Carriage Holdings Limited	50%	50%	-	-
Southern Cross Cables Holdings Limited	50%	50%	-	-

Accounting Standards

This report has been prepared in accordance with the New Zealand equivalent to International Accounting Standard No. 34: 'Interim Financial Reporting', and Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

Basis of report

This report is based on unaudited financial statements.

TELECOM CORPORATION OF NEW ZEALAND LIMITED
HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013

Our future success depends on winning by customers choosing us to connect them at the 'speed of life', in an exciting and dynamic world of rapid advances in technology.

We are increasingly becoming a fast, agile retailer, focused on winning customers. Future oriented. Competitive. Relevant to all New Zealanders. Willing to make bold moves. Changing at a pace and scale we believe is unparalleled in a large New Zealand business over the last decade.

We're making a huge investment in New Zealand's digital future, through our networks, products and services.

There's real momentum building – for our customers and for us.

CONTENTS

INTRODUCTION

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FINANCIAL CALENDAR

Half year result announced
21 February 2014

Financial year end
30 June 2014

Full year results announced
22 August 2014

Annual shareholders meeting
7 November 2014

This report is dated 21 February 2014 and is signed on behalf of the Board of Telecom Corporation of New Zealand Limited by Mark Verbiest, Chairman, and Simon Moutter, Chief Executive.

Mark Verbiest
Chairman

Simon Moutter
Chief Executive

PLAYING TO WIN

PERFORMANCE SNAPSHOT

Mobile connections

1,923K

Broadband connections

661K

Retail and Gen-i access lines

980K

OUR H1 FY14 FINANCIAL HIGHLIGHTS

Net earnings after tax **NZ$**

167M

Revenue* **NZ$**

1,847M

Dividend per share **NZ$**

8cps

Net Earnings* **NZ$**

147M

Earnings per share **NZ$**

9cps

* From continuing operations.

REVOLUTIONISE CUSTOMER EXPERIENCES

WE AIM TO:

- Deliver simple, effortless experiences that are demonstrably and consistently better than our competitors' and that generate extraordinary customer advocacy
- Deeply understand New Zealanders' increasing drive to be connected and act quickly on these insights to create distinctive solutions for customers
- Satisfy customer demand for greater simplicity and more digital self-service options

IN THE FIRST HALF OF FY14 WE:

- Significantly expanded and grew the popularity of our digital customer self-service options, including launching a new Telecom App with over 60,000 downloads
- Revamped phone booths around New Zealand into a nationwide WiFi network, with over 900 hotspots and 300,000 registered users, giving people better connections when out and about and enhancing the value of mobility solutions for our business clients
- Refocused Gen-i customer service models for government and large enterprise customers, driving key customer wins
- Launched a new 4G mobile data network, available to all our customers at no extra charge – and underpinned by a brand-new core data network using state-of-the-art optical transport technology

SIMPLIFY THE BUSINESS

WE AIM TO:

- Radically simplify current platforms, products, offers, channels and supporting processes to reduce cost and complexity and improve speed to market
- Design and build new platforms, products, offers, channels and end-to-end process capabilities
- Create a best practice, performance-driven, lean and agile organisation supported with the right skills, processes, risk appetite and incentives

IN THE FIRST HALF OF FY14 WE:

- Broadened the scope, reach and impact of business improvement initiatives (Turnaround Programme)
- Made more tough decisions on operating costs to ensure we provide our customers with value at competitive prices
- Continued to simplify pricing and products and processes, dramatically reducing the number of our mobile and broadband plans
- Continued to streamline a huge number of our internal processes, including Human Resources (HR) and remuneration
- Divested training services business Auldhouse from the Gen-i portfolio as part of the shift in strategic focus
- Progressed the re-engineering of our Information Technology (IT) stack, with the first phase, focused on pre-paid mobile, on track for delivery in the next few months
- Achieved clarity in our Australia market strategy, selling AAPT and refocusing Gen-i Australia's operations

WIN KEY MARKETS

WE AIM TO:

- Maximise opportunities from the major shifts in industry structure resulting from Government fibre investment, industry mergers and acquisitions and continued evolution of IP applications and services
- Deliver a granular and focused market strategy by creating a competitive multi-brand capability to win key future markets while optimising value of existing markets
- Realign resources, sales and marketing approach to step-shift performance in key markets
- Support the market strategy with leading data network capability, products and processes at the lowest cost per gigabyte

IN THE FIRST HALF OF FY14 WE:

- Revitalised the mass-market Telecom brand with a new multi-coloured visual identity
- Relaunched our network of Telecom Business Hubs for small and medium business customers
- Reset our flanking value mobile brand, Skinny and trialled the Bigpipe value brand in broadband
- Grew our mobile connections by 108,000 and extended our $10 a day flat rate overseas data roaming to now cover where over 96% of New Zealanders travel
- Launched new generation Ultra Fibre services on the government-supported ultra-fast broadband (UFB) network, and faster VDSL broadband over the existing copper network for customers not connected to UFB
- Won a multi-year contract under the Government's Network for Learning initiative to build a fast, safe online educational platform for New Zealand schools to maximise the digital opportunities created by the UFB rollout

WIN THE FUTURE

WE AIM TO:

- Earn new revenues and margins by investing in and winning key future markets in Cloud, network delivered services, digital services & mobile commerce
- Build market leadership, brand preference and revenues through demonstrating the benefits of our technology and services to distinct customer segments
- Ensure success through committed substantive resourcing and an open approach to build, buy and partner options that balance execution risk and cost with agility and speed

IN THE FIRST HALF OF FY14 WE:

- Advanced the Digital Ventures growth portfolio, including making a decision to enter the internet TV market, offering New Zealanders exciting new choices about how they get their home entertainment
- Continued, in partnership with Telstra and Vodafone, to progress a new trans-Tasman cable to improve New Zealand's international connectivity
- Committed $149 million to date to become the biggest player in newly available 700 MHz band radio spectrum, which will make possible the more efficient rollout of 4G mobile data services to less populated parts of New Zealand
- Continued to invest in data hosting services for corporate and government customers, leveraging the FY13 acquisition of data centre and Cloud computing specialist Revera and developing more data centre capacity in Auckland, Christchurch, Dunedin and Wellington
- Partnered with some of the world's best known technology providers such as SAP and Samsung to bring a wide range of innovative new services into the New Zealand market

CHANGING OUR NAME

Telecom is changing like never before.

Our business has already moved well beyond the humble landline telephone. Our old traditional copper network business is now an entirely separate company, Chorus. Our future is focused on communication, entertainment and IT services delivered over our networks and the Cloud.

We're already a vastly different company, operating in a very different environment, than we used to be. Within a short space of time, we'll be unrecognisable from the Telecom of old.

Last year, we laid out a bold ambition for a new Telecom. We've backed this up with brave plays in the marketplace: 4G mobile, the OTN core data network, national WiFi, Cloud services through the Revera acquisition and new data centres, flat rate overseas data roaming, new 700 MHz spectrum, to name just a few. We've also taken many tough decisions to turn around our financial trajectory and ensure we can provide our customers with value at competitive prices.

We're investing in our brands. Last year, we revitalised the mass-market Telecom brand with a new multicoloured visual identity. We relaunched our network of Business Hubs for small and medium business customers. We reset our flanking value brand, Skinny. These moves are showing an immediate impact in increased sales and positive customer feedback.

When we embarked on this journey, we knew that at some point we would likely move beyond the Telecom name – to something that better reflects what our customers expect from us, now and into the future, as we help unleash New Zealand's potential in a digital world.

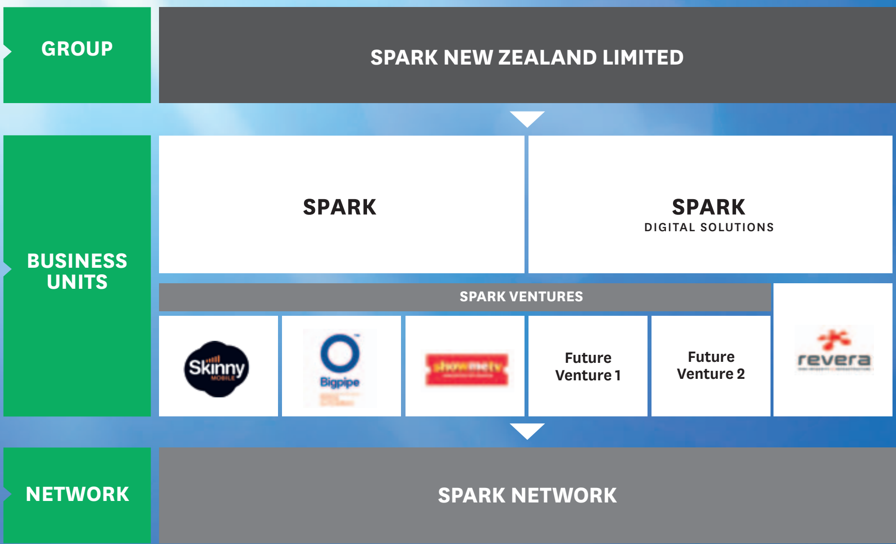
Following the rapid success of the recent initiatives within our Retail business, we've decided to advance our branding strategies with another big, bold move. Later this year we intend to change our company name to Spark.

The intention is for Telecom Corporation of New Zealand Limited to become Spark New Zealand Limited. Our main mass market brand will become Spark and our Gen-i business will become Spark Digital Solutions.

We chose Spark for several reasons. It has life and energy and momentum. It builds on our 2009 rebranding, when we introduced the 'spark' logo, and last year's colour and style refresh of the Retail brand. We believe it symbolises a confident, forward-looking organisation that's all about enabling great experiences. It allows us to imbue different business units with specific meanings off the back of the Group identity.

We've opted for what the brand experts call a 'branded core'. This means that our core business units will all be called Spark, but we retain the flexibility of flanking and specialist brands (such as Revera, Skinny, Bigpipe, ShowmeTV and possibly further ventures in the future) where it makes business sense to do so.

BRANDING FRAMEWORK



WINNING AMBITION

Mark Verbiest CHAIRMAN

Simon Moutter CEO

Dear Shareholders,

We have been relentlessly focused for nearly a year now on a clear long-term strategy, and we are gathering pace in our execution.

We're committed to revolutionising the service experience for our customers, simplifying our business fast, winning over more New Zealanders and finding new ways to excel in the markets we see as our future.

This strategy supports a bold ambition: to be a growing New Zealand company, winning by customers choosing us to connect them at the 'speed of life'.

Over the last year we have moved quickly and decisively, putting several critical foundations in place and making a number of bold market moves.

Reported net profit for the half year was flat. Underlying lead indicators and revenue performance, especially in mobile, were encouraging. That said, the ongoing market decline in legacy fixed data and voice, together with the strategic choices made during FY13 to put market share outcomes ahead of short-term financial performance, has continued to impact earnings in New Zealand.

We expect to see the positive lead indicators from the half year begin to flow more into our financial results from the second half onwards and into the 2015 financial year.

Other signs give us additional confidence. We have gained greater traction on our cost competitiveness, increasing the projected free cash flow benefits we believe will be generated by our Turnaround Programme, a centrally-driven series of business improvement initiatives. As the previous year's price-downs in broadband and wholesale are overtaken, the effect is expected to help moderate the rate of decline in legacy fixed revenues in the second half of our financial year.

Our investments in revamping our mass market brands, Telecom and Skinny, has delivered greater cut-through and relevance in key markets. This has given us the conviction to move beyond the Telecom name and better reflect our digital services capability and future focus. Later this year, we intend to change our company name and core customer brands to Spark.

To reinforce this exciting new digital services future, we've also expanded the ways in which customers are provided services, particularly online. We've continued to make huge investments in New Zealand's digital networks, launching 4G mobile underpinned by a brand-new core data transport network, building more data centre capability and committing to a leadership position in 700 MHz spectrum. We have sold the AAPT business in Australia to focus all our efforts on getting it right for New Zealand customers.

There has also been investment in the digital services so essential to future growth. Notably, we have decided to enter the internet TV market, with a standalone and high-quality internet TV brand, ShowmeTV, to be launched later in the year.

We are pleased with our progress to date. We are working hard to become a fast, agile retailer, focused on winning customers. Future oriented. Competitive. Relevant to all New Zealanders. Willing to make bold moves. There's real momentum building – for customers and for us.

Key Financials

Net profit after tax was NZ$167 million.

Total operating revenues from continuing operations declined 3.0% to NZ$1,847 million, largely attributable to a 9.2% decline in fixed line revenues. Encouragingly, strong mobile performance saw mobile revenue up 5.8%, partially offsetting the fixed revenue decline.

Operating costs for continuing operations fell 2.1% largely due to ongoing cost reduction initiatives, particularly labour costs. These initiatives were offset by cost growth associated with increased customer numbers and data volumes.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) from continuing operations were down 5.8% while net earnings from continuing operations were down 12.5%.

Capital expenditure from continuing operations was up 18.2% to NZ$266 million, reflecting the significant investment in the first half of the year in our networks, products and services. Major capital expenditure items included; the ongoing re-engineering programme, the upgrade of the core data transport network, and mobile network investment particularly in 4G LTE.

The Directors have declared a half year dividend of 8 cents per share. Our intention is to pay a minimum dividend of 16.0 cents per share for the full year.

We have an aspiration to sustainably increase ordinary dividends over time as the projected improved cash flow performance materialises.

HY14 Key Operational Overview

Gen-i has continued to leverage its leadership position in data, mobility and Cloud services to help business and government clients unleash their full potential in a digital world. During the first half year we announced plans to build new Greenfield data centres in Auckland and Wellington and completed the build of our new Christchurch data centre, further strengthening our data hosting and Cloud capabilities following the acquisition of Revera last year.

New partnerships have been formed with the likes of SAP and Samsung to bring innovative new business services into the market. Major change programmes have been initiated to reduce costs and improve delivery performance.

Gen-i also won a multi-year contract with the Government's Network for Learning initiative to build a fast and safe online educational platform for New Zealand schools to maximise the digital learning opportunities created by the ultra-fast broadband (UFB) rollout.

Our Telecom Retail unit made a number of bold moves during the six months that are making a difference, particularly in mobile. Mobile connections for the total Group were up over 108,000 for the period and mobile revenues for Retail were up 9%.

Last year we revitalised the mass-market Telecom brand with a new visual identity and relaunched our network of Business Hubs for small and medium business customers. These moves are showing an immediate impact in increased sales, foot traffic and positive customer feedback.

We also significantly expanded and grew the popularity of digital customer self-service options, including the launching of a new Telecom App that has already attracted over 60,000 downloads, and a significant growth in customer take-up of My Telecom and e-billing options. We extended Ultra Fibre services on the Government-supported UFB networks and launched faster Ultra VDSL broadband over the copper network for customers not connected to UFB.

Telecom Connect has continued to build on our network leadership, launching 4G LTE mobile in November 2013, underpinned by a brand-new nationwide high-speed core data network using state-of-the-art optical transport technology.

We also committed a further $149 million in four lots (2 x 20 MHz) to become the biggest player in newly available 700 MHz band radio spectrum. This will make possible faster and better 4G coverage for less populated parts of New Zealand. This asset has not yet been paid for as the auction process is still under way. The Commerce Commission is deciding on whether or not the purchase of the 4th lot can proceed, which will be followed by an auction round to determine the allocation of positions in the band.

An ongoing programme to re-engineer the business IT stack has also progressed well, with the first release of IT improvements on target for the second half of this financial year. This first release, focused on pre-paid mobile, will deliver significant system capability enhancements and improve customer experience, especially across digital channels.

Telecom Digital Ventures, the innovation focused business unit, continued to develop and advance its portfolio of growth oriented initiatives.

Later this year, we will launch ShowmeTV, our new internet TV business. The migration of entertainment to the internet is creating significant disruption to current broadcast TV business models and real opportunities for new online businesses. The rapid growth of better broadband via fibre and VDSL means watching TV via streaming over the internet is now a much more viable option for many New Zealanders. We believe the time is right to enter this market and provide New Zealanders with exciting new choices when it comes to watching video entertainment.

Our nationwide WiFi network, primarily using revamped phone booths, now has over 900 hotspots and 300,000 registered users, giving people better connections when out and about and enhancing the value of mobility solutions for our business clients.

Skinny, our value mobile brand, has achieved strong growth since a brand refresh during the first half. A similar flanking brand for the broadband market, Bigpipe, was successfully trialled in December 2013 and was soft-launched in February 2014.

Outlook

Our first half results demonstrate a pace and level of change we believe is unparalleled in a large New Zealand business over the last decade.

We don't intend to slow down. We will continue to address our cost base and strengthen our organisational performance. We will focus even harder on becoming more relevant to customers and to modern New Zealand, particularly as we transition to Spark.

We anticipate an improved financial performance in the second half of this financial year, with broadband revenues beginning to stabilise, mobile growth continuing and our Turnaround Programme delivering tangible free cash flow improvements. As a result we expect adjusted EBITDA from continuing operations for the full year to be in the range of NZ$925 million to $945 million, excluding the AAPT sale proceeds and rebranding costs.

With a lot of the essential network investment for the strategic repositioning of the business already made or committed, capital expenditure from continuing operations for the full year is expected to be NZ$450 million to NZ$460 million, excluding spectrum, with the capex envelope tightening further in the FY15 to FY17 period.

There is a lot more hard work to come. We've got plenty to do to complete our strategic shift and stretch our leadership in data connectivity as well as regain the top spot in the mobile market. And all the while, customer needs will continue to evolve as digital life becomes a reality.

But we are convinced we are on the right pathway. We're committed to this course and to playing a major role in New Zealand's digital future.

Mark Verbiest
CHAIRMAN

Simon Moutter
CEO

21 February 2014

Directors

Directors who held office during the half year and until the date of the report were:

Mark Verbiest	– Chairman since December 2011
Simon Moutter	– Chief Executive and Executive Director since August 2012
Paul Berriman	– a Director since December 2011
Murray Horn	– a Director since July 2007
Maury Leyland	– a Director since December 2011
Kevin Roberts	– a Director since August 2008
Charles Sitch	– a Director since December 2011
Justine Smyth	– a Director since December 2011

Auditor's independence declaration

The independence declaration of our auditors is on page 41 and forms part of this report.

Financial Overview

Operations held for sale

On 9 December 2013 Telecom announced that it had entered into a binding agreement to sell AAPT for A$450 million to TPG Telecom Limited, with the transaction anticipated to be completed in late February 2014. In accordance with NZ IFRS 5, Non-current assets held for sale and discontinued operations, AAPT has been classified as a discontinued operation held for sale. As such, Telecom's income statement is presented from continuing operations, with the net earnings from AAPT disclosed separately as earnings from discontinued operations. The assets and liabilities of AAPT have been presented separately from Telecom's other assets and liabilities in the statement of financial position.

Additionally, Telecom is in active discussions for the sale of its 60% shareholding in Telecom Cook Islands. A sale was considered highly probable at 31 December 2013 and accordingly, the assets and liabilities of Telecom Cook Islands are classified separately as held for sale on the statement of financial position. As Telecom Cook Islands is not classified as a major line of business or major geographical area, it has not been classified as a discontinued operation in the income statement for the six months ended 31 December 2013.

Statutory results

SIX MONTHS ENDED 31 DECEMBER	2013 $M	2012 $M	Change %
Operating revenue and other gains – continuing operations	1,847	1,905	(3.0)
EBITDA – continuing operations	452	480	(5.8)
Depreciation and amortisation expense – continuing operations	227	228	(0.4)
Net finance expense – continuing operations	17	22	(22.7)
Earnings before tax – continuing operations	208	230	(9.6)
Taxation expense – continuing operations	61	62	(1.6)
Net earnings – continuing operations	147	168	(12.5)
Earnings from discontinued operations, net of tax	20	(5)	NM[1]
Total net earnings	167	163	2.5
Diluted EPS (cents)	9	9	–

1 NM means Not Meaningful.

Group income statement

A break down of the Group's reported income statement for the six months ended 31 December 2013 and the prior comparative period is provided in the table below.

SIX MONTHS ENDED 31 DECEMBER	2013 $M	2012 $M	Change %
Operating revenues and other gains – continuing operations			
Fixed	969	1,067	(9.2)
Mobile	492	465	5.8
IT services	276	269	2.6
Other operating revenue	102	88	15.9
Other gains	8	16	(50.0)
	1,847	**1,905**	**(3.0)**
Operating expenses – continuing operations			
Labour	266	321	(17.1)
Intercarrier costs	342	362	(5.5)
Other operating expenses	787	742	6.1
	1,395	**1,425**	**(2.1)**
EBITDA – continuing operations	**452**	**480**	**(5.8)**
Depreciation	129	130	(0.8)
Amortisation	98	98	–
Earnings before interest and tax – continuing operations	**225**	**252**	**(10.7)**
Net finance expense	17	22	(22.7)
Earnings before tax – continuing operations	**208**	**230**	**(9.6)**
Income tax expense	61	62	(1.6)
Net earnings from continuing operations	**147**	**168**	**(12.5)**
Earnings from discontinued operations, net of tax	20	(5)	NM[1]
Net profit after tax	**167**	**163**	**2.5**

1 NM means Not Meaningful.

Overview

- Operating revenue and other gains for Telecom's continuing operations reduced by $58 million, or 3.0%, to $1,847 million in H1 FY14 when compared with the prior period.
  - Fixed revenue decreased by $98 million, or 9.2%, in H1 FY14 driven by a continuation of trends of declining access lines, lower calling revenue and the impact of Telecom's earlier decision to hold share in broadband.
  - Mobile revenue increased by $27 million, or 5.8%, in H1 FY14 with 108,000 new customers added during the period. The popularity of smartphones and our new open plans have contributed to the growth in mobile device sales.
  - IT services revenue increased by $7 million, or 2.6%, in H1 FY14 following the acquisition of Revera in H2 FY13, partially offset by the divestments of the Davanti (H2 FY13) and Auldhouse (H1 FY14) businesses. Underlying IT services revenue was stable with growth in enterprise professional services and networked information and communications technology (ICT).
  - Other gains of $8 million in H1 FY14 comprised $5 million insurance recoveries relating to the Canterbury earthquakes and $3 million of other gains on sale. In H1 FY13 other gains comprised $10 million insurance recoveries relating to the Canterbury earthquakes and a $6 million gain from winding up a foreign operation.
- The decline in operating revenues from continuing operations was partially offset by reductions in operating expenses, which fell by $30 million, or 2.1%, to $1,395 million in H1 FY14. The key drivers of the lower costs were reduced labour costs resulting from restructuring activity, a reduction in intercarrier costs due to reduced access lines, an improvement in the consumption of services from Chorus and a continued strong cost-reduction focus across other operating cost areas. The cost reductions were partly offset by an increase in mobile acquisition costs and broadband costs associated with our growing customer base and higher backhaul costs, timing of spend on advertising, upfront costs associated with the cost-reduction programmes and a provision against a lease receivable.
- The H1 FY14 depreciation and amortisation charges from continuing operations were stable compared with H1 FY13. Increased depreciation due to the acquisition of Revera in H2 FY13 and the completion of a number of large capital programmes in H1 FY14, offset the net effect of reduced charges resulting from significant reductions in capital expenditure in the previous two years.
- The net finance expense in H1 FY14 of $17 million was $5 million lower, or 22.7%, than in H1 FY13 primarily due to maturing debt being replaced by debt at lower interest rates.
- The H1 FY14 tax expense of $61 million was stable compared with H1 FY13, with lower tax associated with a reduction in earnings from continuing operations being offset by an increase in non-deductible expenditure and the impact of prior period tax adjustments.
- Net earnings from discontinued operations held for sale represents the net earnings from AAPT. In H1 FY14 this increased by $25 million in comparison to H1 FY13, driven by higher margin revenue growth, cost of sales improvements and reductions in labour and property costs.

Adjusting items and results

- For FY14 Telecom has altered its approach to reporting adjusting items in its financial results, removing non-recurring or unusual items greater than $25 million from adjusted earnings to ensure only material items are excluded.
- During H1 FY14 and H1 FY13, there were no adjusting items and as such no separate disclosure is required for the half year reporting.

Segmental results

- Telecom's continuing operations business units comprise Retail, Gen-i, and Connect. The Connect business unit is a new business unit comprising what was previously reported as Wholesale & International and Technology and Shared Services. In addition to these operating segments, the results of which are reported to Telecom's CEO, there is also a Corporate Centre.
- Telecom has reclassified its comparative segment results to reflect the reorganisation of the business units described above. In addition, reclassifications have been made to take into account customer transfers from Retail to Gen-i, mobile cell site maintenance costs from Retail and Gen-i to Connect and minor transfers to reflect the decentralisation of certain corporate functions to the business units.
- An analysis of Telecom's adjusted results by business unit is set out below, with further details available in a separate Key Performance Indicator (KPI) file on the investor section of Telecom's website.

SIX MONTHS ENDED 31 DECEMBER	2013 NZ$M	2012 NZ$M	Change %
Operating revenue and other gains from continuing operations			
Retail	901	904	(0.3)
Gen-i	643	663	(3.0)
Connect	294	339	(13.3)
Corporate	67	53	26.4
Eliminations	(58)	(54)	(7.4)
Operating revenue and other gains from continuing operations	**1,847**	**1,905**	**(3.0)**
EBITDA from continuing operations			
Retail	328	348	(5.8)
Gen-i	193	202	(4.5)
Connect	(64)	(67)	4.5
Corporate	(5)	(3)	(66.7)
EBITDA from continuing operations	**452**	**480**	**(5.8)**

Key revenue trends

Operating revenue and other gains from continuing operations declined by 3.0% to $1,847 million in H1 FY14 when compared with H1 FY13. The explanation of the decline is as described in the Group commentary, with further detail of trends by business unit as follows:

- Retail's revenues decreased by $3 million, or 0.3%, to $901 million for H1 FY14 due to declines in fixed calling and broadband revenues offset by growth in mobile revenue. Fixed voice revenues declined $24 million driven by a continuation of trends of lower calling revenue. Broadband revenues decreased by $8 million when compared with H1 FY13 due to the impact of rebased broadband pricing. Offsetting the underlying decline were revenues associated with the growth of 28,000 broadband connections. Mobile revenues increased by $32 million due to the growth in the customer base and the popularity of our new open plans contributing to the growth in mobile device sales.
- Gen-i revenues decreased by $20 million, or 3.0%, to $643 million for H1 FY14 due to decline in fixed voice and data products, offset by growth in networked ICT and enterprise professional services. Within this result the acquisition of Revera during H2 FY13 added revenue of $26 million this year, while the divestment of Auldhouse in H1 FY14 and Davanti during H2 FY13 resulted in a reduction of $11 million for the current period.
- Connect's revenue decreased by $45 million, or 13.3%, to $294 million in H1 FY14 due to declines in wholesale fixed access and calling revenues resulting from the rebasing of the wholesale pricing and continued downward trend in calling minutes.
- Corporate revenue increased by $14 million in H1 FY14 primarily due to Southern Cross dividend income of $43 million being $24 million higher than in H1 FY13, offset by lower insurance recoveries from the Canterbury earthquakes.

Key EBITDA trends

Adjusted EBITDA from continuing operations decreased by 5.8% to $452 million in H1 FY14. Key movements by business unit are as follows:

- Retail EBITDA decreased by $20 million, or 5.8%, to $328 million for H1 FY14 as cost reductions and mobile margin improvements were more than offset by fixed revenue declines. Labour costs reduced by a further $5 million through operational efficiency programmes. These cost reductions were partially offset by increased mobile and broadband cost of sales due to customer growth in H1 FY14, higher mobile device sales and investment in the brand refresh.
- Gen-i EBITDA decreased by $9 million, or 4.5%, to $193 million for H1 FY14 driven mainly by a decline in high-margin telecommunications products and partially offset by continued growth in IT services EBITDA. The divestments of Davanti and Auldhouse and the acquisition of Revera created a net $2 million EBITDA upside for H1 FY14 compared with H1 FY13.
- Connect EBITDA improved by $3 million, or 4.5%, to a $64 million loss in H1 FY14. Reduced wholesale revenues were more than offset by a decrease in expenses, driven by a combination of lower labour costs and accommodation and an improvement in services consumed by Chorus.
- Corporate EBITDA was relatively stable in H1 FY14 compared with H1 FY13 driven by higher revenues, principally due to increased Southern Cross dividends and lower labour costs due to reduced staff levels, substantially offset by centralised costs associated with the group-wide cost-out programme and a provision taken against a lease receivable.

Capital expenditure

SIX MONTHS ENDED 31 DECEMBER	2013 $M	2012 $M	Change %
Major programmes:			
OTN & Carrier Ethernet	22	14	57.1
Re-engineering	44	8	NM
Mobile network	89	29	206.9
Mobile spectrum	–	54	NM
Total major programmes	**155**	**105**	**47.6**
Operating capital expenditure:			
Southern Cross	10	11	(9.1)
Regulatory	1	2	(50.0)
Other	100	107	(6.5)
Total operating capital expenditure	**111**	**120**	**(7.5)**
Total relating to continuing operations	**266**	**225**	**18.2**
AAPT	27	21	28.6
Total capital expenditure	**293**	**246**	**19.1**

Total capital expenditure for H1 FY14 of $293 million was $47 million, or 19.1%, more than in H1 FY13 and capital expenditure from continuing operations was $41 million, or 18.2%, higher than H1 FY13. This was primarily due to the momentum of key multi-year programmes, in particular Re-engineering, Optical Transport Network (OTN) and Carrier Ethernet and Mobile 4G Long Term Evolution (LTE).

Major programmes

- The Re-engineering work programme continued with an investment of $44 million in H1 FY14, $36 million more than in H1 FY13. This three-year programme will deliver a sustainable step-change in the simplification of Telecom's business operating model.
- FY14 is the second year of investment for the OTN and Carrier Ethernet programme, with an increase of $8 million to $22 million in H1 FY14.
- Mobile network investment in H1 FY14 of $89 million was $60 million more than in H1 FY13, driven by investment in 4G LTE readiness, license renewals and significant equipment purchases.
- Capital expenditure for the 700 MHz spectrum recently purchased at auction will be recognised in H2 FY14. The $54 million invested in H1 FY13 was for the renewal of the 850 MHz cellular spectrum.

Operating capital expenditure

- Capital expenditure on Southern Cross capacity was at a similar level in H1 FY14 to H1 FY13.
- Other operating capital expenditure decreased from $107 million in H1 FY13 to $100 million in H1 FY14. The reduction in spend results from a combination of lower spend in Gen-i Australia, the Retail NGT programme coming to a close and Canterbury earthquake recovery costs in H1 FY13. These decreases were partially offset by additional spend for Revera and a number of significant IT license purchases and upgrades.

Discontinued operations

- AAPT investment of $27 million in H1 FY14 was $6 million higher than it was in H1 FY13 due mainly to higher spend on customer-related capital expenditure.

Group cash flow

SIX MONTHS ENDED 31 DECEMBER	2013	2012	Change
	$M	$M	%
Cash flows from operating activities	202	424	(52.4)
Cash flows from investing activities	(277)	(174)	(59.2)
Cash flows from financing activities	116	(121)	195.9
Foreign exchange movement	(4)	(3)	(33.3)
Net movement in cash	**37**	**126**	**(70.6)**

Cash flows from operating activities

Net cash from operating activities decreased in H1 FY14 by $222 million to $202 million when compared with H1 FY13. Major drivers of this were lower operating revenues reducing cash received from customers and higher payments to suppliers mainly due to one additional month's payment of $76 million falling into H1 FY14 that related to H2 FY13 and the payment of $25 million for Telecom's share of the Telecommunications Development Levy relating to FY12. Additionally, tax payments increased by $45 million with the tax paid in H1 FY13 reduced by refunds that dated back to FY11. These were partially offset by increased dividend receipts of $38 million from Southern Cross.

Cash flows from investing activities

The net cash outflow on investing activities of $277 million in H1 FY14 was $103 million higher than the $174 million outflow in H1 FY13, largely due to a $98 million increase in capital expenditure payments in H1 FY14 due to Telecom's investment in its major capital programmes: OTN and Carrier Ethernet, Re-engineering and its 4G LTE mobile network.

Cash flows from financing activities

Telecom's cash flows from financing activities reflect borrowing activities and dividend payments to shareholders. The net cash inflow for financing activities in H1 FY14 was $116 million, compared with a cash outflow of $121 million in H1 FY13. H1 FY14 includes an increase in bank debt and short-term commercial paper partially offset by the payment of dividends. H1 FY13 included the payment of dividends and the share buyback, partially offset by the issue of new term debt.

Long-term capital management and dividend policy

Long-term capital management

Telecom's principal sources of liquidity are operating cash flows and external borrowing from established debt programmes and bank facilities.

The Telecom Board continues to be committed to Telecom maintaining an 'A band' credit rating, and its capital management policies are designed to ensure this objective is met. To that end, Telecom intends to manage its debt levels to ensure that the ratio of net interest-bearing debt (inclusive of associated derivatives) to EBITDA does not materially exceed 1.0 times on a long-run basis, which for credit ratings agency purposes equates approximately to debt to EBITDA of 1.5 times. The difference between these two ratios is primarily due to the rating agencies adjusting for items such as cash in the business and the capitalisation of operating leases.

As at 31 December 2013 Telecom had been assigned a credit rating of A-/Stable by Standard & Poor's and A3/Stable by Moody's Investors Service.

First half ordinary dividends	
Ordinary shares	8.0 cents
American Depositary Shares[1]	32.82 US cents
'Ex' dividend dates	
New Zealand Stock Exchange	19 Mar 2014
Australian Securities Exchange	17 Mar 2014
American Depositary Shares	18 Mar 2014
Record dates	
New Zealand Stock Exchange and Australian Securities Exchange	21 Mar 2014
American Depositary Shares	20 Mar 2014
Payment dates	
New Zealand, Australia	11 Apr 2014
American Depositary Shares	18 Apr 2014

1 Based on an exchange rate at 31 December 2013 of NZ$1.00 to US$0.8206 and a ratio of five ordinary shares per one American Depositary Share. The actual exchange rate used for conversion is determined in the week prior to payment when the Bank of New York performs the physical currency conversion.

FY14 ordinary dividends

Telecom's intention in FY14 is to pay a minimum dividend of 16.0 cents per share. Accordingly, a dividend of 8.0 cents per share has been declared for H1 FY14. This dividend will be partially imputed at the rate of 2.3333 imputation credits per share (which equates to 75% imputation based on the current corporate tax rate). A supplementary dividend of 1.0588 cents per share will be paid to non-resident shareholders.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan has been retained. For the H1 FY14 dividend, shares issued under the Dividend Reinvestment Plan will be issued at the prevailing market price applied to ordinary shares. The last date for shareholders to elect to participate in the Dividend Reinvestment Plan for the H1 FY14 dividend is 21 March 2014.

FINANCIAL STATEMENTS

Condensed consolidated interim income statement

For the six months ended 31 December 2013

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	NOTES	SIX MONTHS ENDED 31 DECEMBER 2013 UNAUDITED NZ$	SIX MONTHS ENDED 31 DECEMBER 2012 UNAUDITED NZ$	YEAR ENDED 30 JUNE 2013 AUDITED NZ$
Operating revenues and other gains – continuing operations				
Fixed		969	1,067	2,067
Mobile		492	465	921
IT services		276	269	530
Other operating revenue	3	102	88	189
Other gains	4	8	16	28
		1,847	**1,905**	**3,735**
Operating expenses – continuing operations				
Labour		(266)	(321)	(577)
Intercarrier costs		(342)	(362)	(704)
Other operating expenses	5	(787)	(742)	(1,458)
Other expenses	4	–	–	(84)
Asset impairments	4	–	–	(38)
Depreciation		(129)	(130)	(260)
Amortisation		(98)	(98)	(199)
		(1,622)	**(1,653)**	**(3,320)**
Finance income		15	15	32
Finance expense		(32)	(37)	(74)
Net earnings before income tax – continuing operations		**208**	**230**	**373**
Income tax expense		(61)	(62)	(103)
Net earnings from continuing operations		**147**	**168**	**270**
Net earnings from discontinued operation held for sale	8	20	(5)	(32)
Net earnings for the period		**167**	**163**	**238**
Net earnings attributable to equity holders of the Company		166	162	236
Net earnings attributable to non-controlling interest		1	1	2
		167	**163**	**238**
Basic and diluted net earnings per share (in cents)		9	9	13
Basic and diluted earnings per share from continuing operations (in cents)		8	9	14
Basic and diluted earnings per share from discontinued operations (in cents)		1	–	(1)
Weighted average number of ordinary shares outstanding (in millions)		1,820	1,851	1,845

See accompanying notes to the financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2013

(DOLLARS IN MILLIONS)	SIX MONTHS ENDED 31 DECEMBER 2013 UNAUDITED NZ$	SIX MONTHS ENDED 31 DECEMBER 2012 UNAUDITED NZ$	YEAR ENDED 30 JUNE 2013 AUDITED NZ$
Net earnings for the period	**167**	**163**	**238**
Other comprehensive income/(loss)[1]:			
Items that will not be reclassified to profit or loss:			
Revaluation of long-term investments[2]	51	(1)	22
Items that may be reclassified to profit or loss:			
Translation of foreign operations	(30)	(7)	(26)
Reclassified to income statement on disposal of foreign operation	–	(6)	(6)
Cash flow hedges	4	2	6
Other comprehensive income/(loss) for the period	**25**	**(12)**	**(4)**
Total comprehensive income for the period	**192**	**151**	**234**
Attributable to equity holders of the Company	191	150	232
Attributable to non-controlling interest	1	1	2
Total comprehensive income for the period	**192**	**151**	**234**

1 Components of other comprehensive income are shown net of tax.

2 Revaluation of long-term investments relates to changes in the share price of Telecom's investment in Hutchison Telecommunications Australia Limited (Hutchison).

See accompanying notes to the financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December

UNAUDITED (DOLLARS IN MILLIONS)	SHARE CAPITAL NZ$	RETAINED EARNINGS NZ$	HEDGE RESERVE NZ$	SHARE BASED DEFERRED COMPENSATION RESERVE NZ$	REVALUATION RESERVE NZ$	FOREIGN CURRENCY TRANSLATION RESERVE NZ$	TOTAL EQUITY HOLDERS OF THE COMPANY NZ$	NON-CONTROLLING INTEREST NZ$	TOTAL EQUITY NZ$
Balance at 1 July 2013	**899**	**1,012**	**–**	**2**	**(391)**	**(115)**	**1,407**	**6**	**1,413**
Net earnings for the period	–	166	–	–	–	–	166	1	167
Other comprehensive income/(loss)	–	–	4	–	51	(30)	25	–	25
Total comprehensive income for the period	**–**	**166**	**4**	**–**	**51**	**(30)**	**191**	**1**	**192**
Contributions by and distributions to owners:									
Ordinary dividends	–	(145)	–	–	–	–	(145)	–	(145)
Supplementary dividends	–	(13)	–	–	–	–	(13)	–	(13)
Tax credit on supplementary dividends	–	13	–	–	–	–	13	–	13
Dividend reinvestment plan	10	–	–	–	–	–	10	–	10
Issuance of shares under share schemes	–	–	–	1	–	–	1	–	1
Total transactions with owners	**10**	**(145)**	**–**	**1**	**–**	**–**	**(134)**	**–**	**(134)**
Balance at 31 December 2013	**909**	**1,033**	**4**	**3**	**(340)**	**(145)**	**1,464**	**7**	**1,471**
Balance at 1 July 2012	**990**	**1,126**	**(6)**	**7**	**(413)**	**(83)**	**1,621**	**5**	**1,626**
Net earnings for the period	–	162	–	–	–	–	162	1	163
Other comprehensive income/(loss)	–	–	2	–	(1)	(13)	(12)	–	(12)
Total comprehensive income for the period	**–**	**162**	**2**	**–**	**(1)**	**(13)**	**150**	**1**	**151**
Contributions by and distributions to owners:									
Ordinary dividends	–	(204)	–	–	–	–	(204)	–	(204)
Supplementary dividends	–	(20)	–	–	–	–	(20)	–	(20)
Tax credit on supplementary dividends	–	20	–	–	–	–	20	–	20
Dividend reinvestment plan	15	–	–	–	–	–	15	–	15
Issuance of shares under share schemes	8	–	–	(6)	–	–	2	–	2
Shares repurchased	(114)	–	–	–	–	–	(114)	–	(114)
Total transactions with owners	**(91)**	**(204)**	**–**	**(6)**	**–**	**–**	**(301)**	**–**	**(301)**
Balance at 31 December 2012	**899**	**1,084**	**(4)**	**1**	**(414)**	**(96)**	**1,470**	**6**	**1,476**

See accompanying notes to the financial statements.

Condensed consolidated statement of changes in equity (continued)

For the year ended 30 June 2013

UNAUDITED (DOLLARS IN MILLIONS)	SHARE CAPITAL NZ$	RETAINED EARNINGS NZ$	HEDGE RESERVE NZ$	SHARE BASED DEFERRED COMPENSATION RESERVE NZ$	REVALUATION RESERVE NZ$	FOREIGN CURRENCY TRANSLATION RESERVE NZ$	TOTAL EQUITY HOLDERS OF THE COMPANY NZ$	NON-CONTROLLING INTEREST NZ$	TOTAL EQUITY NZ$
Balance at 1 July 2012	**990**	**1,126**	**(6)**	**7**	**(413)**	**(83)**	**1,621**	**5**	**1,626**
Net earnings for the period	–	236	–	–	–	–	236	2	238
Other comprehensive income/(loss)	–	–	6	–	22	(32)	(4)	–	(4)
Total comprehensive income/(loss) for the period	**–**	**236**	**6**	**–**	**22**	**(32)**	**232**	**2**	**234**
Contributions by and distributions to owners:									
Ordinary dividends	–	(350)	–	–	–	–	(350)	(1)	(351)
Supplementary dividends	–	(34)	–	–	–	–	(34)	–	(34)
Tax credit on supplementary dividends	–	34	–	–	–	–	34	–	34
Shares repurchased for dividend reinvestment plan	(8)	–	–	–	–	–	(8)	–	(8)
Dividend reinvestment plan	23	–	–	–	–	–	23	–	23
Issuance of shares under share schemes	8	–	–	(5)	–	–	3	–	3
Shares repurchased	(114)	–	–	–	–	–	(114)	–	(114)
Total transactions with owners	**(91)**	**(350)**	**–**	**(5)**	**–**	**–**	**(446)**	**(1)**	**(447)**
Balance at 30 June 2013	**899**	**1,012**	**–**	**2**	**(391)**	**(115)**	**1,407**	**6**	**1,413**

See accompanying notes to the financial statements.

Condensed consolidated statement of financial position

As at 31 December 2013

(DOLLARS IN MILLIONS)	NOTES	31 DECEMBER 2013 UNAUDITED NZ$	31 DECEMBER 2012 UNAUDITED NZ$	30 JUNE 2013 AUDITED NZ$
ASSETS				
Current assets:				
Cash		124	311	118
Short-term derivative assets		6	2	5
Receivables and prepayments		549	714	658
Taxation recoverable		6	26	4
Inventories		70	64	53
Net assets of disposal group held for sale	8	293	–	–
Total current assets		1,048	1,117	838
Non-current assets:				
Long-term investments		130	56	77
Long-term receivables and prepayments		176	169	159
Long-term derivative assets		7	–	1
Intangible assets		1,034	985	1,071
Property, plant and equipment	11	1,087	1,438	1,347
Total non-current assets		2,434	2,648	2,655
Total assets		**3,482**	**3,765**	**3,493**
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accruals		560	823	819
Taxation payable		7	6	6
Short-term derivative liabilities		3	3	1
Short-term provisions		30	19	35
Debt due within one year	12	326	405	225
Total current liabilities		926	1,256	1,086
Non-current liabilities:				
Deferred tax liability		131	162	146
Long-term derivative liabilities		21	22	22
Long-term payables and accruals		25	27	30
Long-term provisions		14	20	45
Long-term debt	12	894	802	751
Total non-current liabilities		1,085	1,033	994
Total liabilities		**2,011**	**2,289**	**2,080**
Equity:				
Share capital		909	899	899
Reserves		(478)	(513)	(504)
Retained earnings		1,033	1,084	1,012
Total equity attributable to equity holders of the Company		**1,464**	**1,470**	**1,407**
Non-controlling interest		7	6	6
Total equity		**1,471**	**1,476**	**1,413**
Total liabilities and equity		**3,482**	**3,765**	**3,493**

See accompanying notes to the financial statements.

Condensed consolidated statement of cash flows

For the six months ended 31 December 2013

(DOLLARS IN MILLIONS)	NOTES	SIX MONTHS ENDED 31 DECEMBER 2013 UNAUDITED NZ$	SIX MONTHS ENDED 31 DECEMBER 2012 UNAUDITED NZ$	YEAR ENDED 30 JUNE 2013 AUDITED NZ$
Cash flows from operating activities				
Cash received from customers		1,964	2,098	4,164
Interest income		13	13	28
Dividend income		57	19	42
Payments to suppliers and employees		(1,727)	(1,644)	(3,202)
Income tax paid		(77)	(32)	(79)
Interest expense		(28)	(30)	(68)
Net cash flows from operating activities	7	**202**	**424**	**885**
Cash flows from investing activities				
Sale of property, plant and equipment		1	9	8
Insurance proceeds		8	20	25
Insurance proceeds paid to Chorus		–	(10)	(10)
Sale/(purchase) of business		3	(5)	(91)
Sale/(purchase) of long-term investments		(3)	1	2
Purchase of property, plant and equipment and intangibles		(283)	(185)	(389)
Capitalised interest paid		(3)	(4)	(7)
Net cash flows from investing activities		**(277)**	**(174)**	**(462)**
Cash flows from financing activities				
Proceeds from long-term debt		390	350	650
Repayment of long-term debt		(253)	(150)	(712)
Proceeds from short-term debt		565	276	509
Repayment of short-term debt		(466)	(282)	(489)
Dividends paid		(135)	(190)	(327)
Payments on finance leases		(2)	(4)	(6)
Receipts on finance leases		15	13	29
Share repurchase – buyback		–	(134)	(134)
Share repurchase – dividend reinvestment plan			–	(8)
Proceeds from derivatives		2	–	–
Net cash flows from financing activities		**116**	**(121)**	**(488)**
Net cash flow		41	129	(65)
Opening cash position		118	185	185
Foreign exchange movement		(4)	(3)	(2)
Closing cash position		**155**	**311**	**118**
Comprising:				
Cash held by discontinued operations	8	31	–	–
Cash held by continuing operations		**124**	**311**	**118**
Closing cash position		**155**	**311**	**118**

See accompanying notes to the financial statements.

Notes to the condensed consolidated interim financial statements

Note 1 Financial statements

The condensed consolidated interim financial statements of Telecom Corporation of New Zealand Limited (the Company) together with its subsidiaries and associates (Telecom), as at and for the six months ended 31 December 2013, have been prepared in accordance with the New Zealand equivalent to International Accounting Standard No. 34: 'Interim Financial Reporting', and Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

Telecom Corporation of New Zealand Limited is a profit-oriented company registered in New Zealand under the Companies Act 1993 and is an issuer for the purposes of the Financial Reporting Act 1993.

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in Telecom's annual report for the year ended 30 June 2013. The preparation of interim financial statements also requires management to make judgements, estimates and assumptions. Telecom has been consistent in applying the judgements, estimates and assumptions adopted in the annual report for the year ended 30 June 2013. Critical accounting policies are the same as those set out in the annual report for the year ended 30 June 2013.

On 9 December 2013 Telecom announced that it had entered into a binding agreement to sell AAPT for A$450 million to TPG Telecom Limited, with the transaction anticipated to be completed in late February 2014. In accordance with NZ IFRS 5 Non-current assets held for sale and discontinued operations, AAPT has been classified as a discontinued operation held for sale. As such, Telecom's income statement discloses the net earnings from AAPT as earnings from discontinued operations. The net assets and liabilities of AAPT have been presented separately in current assets in the statement of financial position.

Additionally, Telecom is in active discussions for the sale of its 60% shareholding in Telecom Cook Islands Limited. The sale is considered highly probable at 31 December 2013. Accordingly, the assets and liabilities of Telecom Cook Islands are classified separately as held for sale on the statement of financial position.

At 31 December 2013 Telecom has negative working capital excluding the net assets of the disposal group held for sale. Telecom has sufficient borrowing facilities in order to meet current obligations as they fall due.

Telecom has reclassified the comparative segment results to reflect changes in the business unit structures and changes in accountabilities for managing revenues and costs. These revenues and costs are now directly recognised in the relevant business unit. There is no change to the overall Group reported result as a result of these changes. Certain other comparative information has also been reclassified to conform to the current period's presentation.

The presentation currency of these condensed consolidated financial statements is New Zealand dollars, which is also the Company's functional currency. References in these financial statements to '$' or 'NZ$' are to New Zealand dollars. References to 'A$' are to Australian dollars. All financial information has been rounded to the nearest million, unless otherwise stated.

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2014 and are unaudited. However, the results for the year ending and as at 30 June 2013, excluding the segmental reclassifications referred to above, have been extracted from the Group's audited financial statements in the annual report for the year ended 30 June 2013. The annual report is available on Telecom's website: http://investor.telecom.co.nz.

Note 2 Segmental reporting

Telecom's segments comprise Retail, Gen-i, Connect, and AAPT.

Segmental information for the six months ended 31 December 2013

UNAUDITED (DOLLARS IN MILLIONS)	RETAIL NZ$	GEN-i NZ$	CONNECT NZ$	AAPT* NZ$	TOTAL NZ$
Fixed	516	229	224	217	1,186
Mobile	372	115	5	2	494
IT services	1	273	1	–	275
Other operating revenue	12	3	40	2	57
Other gains	–	3	–	–	3
Internal revenue	–	20	24	14	58
Total operating revenue and other gains	**901**	**643**	**294**	**235**	**2,073**
Segment result	**328**	**193**	**(64)**	**55**	**512**

* AAPT is a discontinued operation held for sale

Segmental information for the six months ended 31 December 2012

UNAUDITED (DOLLARS IN MILLIONS)	RETAIL NZ$	GEN-i NZ$	CONNECT NZ$	AAPT* NZ$	TOTAL NZ$
Fixed	547	255	265	235	1,302
Mobile	340	120	5	3	468
IT services	1	266	1	–	268
Other operating revenue	15	4	47	3	69
Other gains	–	–	–	1	1
Internal revenue	1	18	21	21	61
Total operating revenue and other gains	**904**	**663**	**339**	**263**	**2,169**
Segment result	**348**	**202**	**(67)**	**36**	**519**

* AAPT is a discontinued operation held for sale

Segmental information for the year ended 30 June 2013

AUDITED (DOLLARS IN MILLIONS)	RETAIL NZ$	GEN-i NZ$	CONNECT NZ$	AAPT* NZ$	TOTAL NZ$
Fixed	1,077	494	496	468	2,535
Mobile	674	236	11	5	926
IT services	2	523	2	–	527
Other operating revenue	27	8	90	4	129
Other gains	–	2	5	1	8
Internal revenue	1	44	47	37	129
Total operating revenue and other gains	**1,781**	**1,307**	**651**	**515**	**4,254**
Segment result	**700**	**402**	**(114)**	**74**	**1,062**

* AAPT is a discontinued operation held for sale

The segment results disclosed are based on those reported to Telecom's CEO and are how Telecom analyses its business results. Segment results are measured based on net earnings before depreciation, amortisation, other gains and expenses not allocated to segments, finance income and expenses, associates' profit/losses and income taxation expense. None of these other items are assessed on a segment basis by Telecom's CEO.

Internal revenue also includes revenue for the continuing Group earned from discontinued operations and revenue for discontinued operations earned from the continuing Group.

Reconciliation from segment result to earnings before income tax

		SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
		2013 UNAUDITED	**2012** UNAUDITED	**2013** AUDITED
(DOLLARS IN MILLIONS)	NOTES	NZ$	NZ$	NZ$
Segment result		512	519	1,062
AAPT (discontinued operation held for sale)		(55)	(36)	(74)
Net result of Corporate revenue and expenses		(5)	(3)	(13)
Impairment and restructuring expenses not allocated to segments	4	–	–	(101)
Depreciation		(129)	(130)	(260)
Amortisation		(98)	(98)	(199)
Finance income		15	15	32
Finance expense		(32)	(37)	(74)
Net earnings before income tax – continuing operations		**208**	**230**	**373**

Note 3 Other operating revenue

	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2013 UNAUDITED	**2012** UNAUDITED	**2013** AUDITED
(DOLLARS IN MILLIONS)	NZ$	NZ$	NZ$
Dividend income	43	19	56
Sale of equipment	3	4	8
Miscellaneous other	56	65	125
	102	**88**	**189**

Dividend income includes dividends received from Pacific Carriage Holdings Limited and Southern Cross Cables Holdings Limited, related parties by way of Telecom's 50% shareholding in these companies.

Note 4 Other gains & other expenses

(DOLLARS IN MILLIONS)	SIX MONTHS ENDED 31 DECEMBER 2013 UNAUDITED NZ$	SIX MONTHS ENDED 31 DECEMBER 2012 UNAUDITED NZ$	YEAR ENDED 30 JUNE 2013 AUDITED NZ$
Other gains			
Gain on sale	3	–	2
Settlement on insurances	5	10	15
Various resolutions and settlements with supplier	–	–	5
Gain on winding up of foreign operation	–	6	6
	8	**16**	**28**
Other expenses			
Natural disaster costs	–	–	9
Restructuring costs	–	–	75
	–	**–**	**84**
Asset impairments			
Related to restructuring	–	–	26
Other	–	–	12
	–	**–**	**38**

Other gains in the six months ended 31 December 2013 of $8 million included $3 million gain on the sale of Auldhouse and $5 million (net) received from insurers in relation to the February 2011 Canterbury earthquake claim.

Other gains in the six months ended 31 December 2012 of $16 million included a $6 million gain on winding up of a foreign operation and $10 million (net) received from insurers in relation to the February 2011 Canterbury earthquake claim.

Other gains in the year ended 30 June 2013 of $28 million included a $2 million gain on the sale of the Davanti Consulting business, $15 million received from insurers in relation to the February 2011 Canterbury earthquake claim, a $5 million gain relating to various resolutions and settlements reached with a supplier and $6 million gain on winding up of a foreign operation.

Other expenses in the year ended 30 June 2013 of $84 million included $9 million incremental costs in relation to the February 2011 Canterbury earthquake and $75 million of restructuring costs associated with the implementation of Telecom's new strategy.

Asset impairments in the year ended 30 June 2013 of $38 million included $26 million of impairments of assets directly associated with the implementation of Telecom's new strategic direction and $12 million of other asset impairments relating to assets whose future economic benefit was assessed as being lower than the assets' carrying values.

Note 5 Other operating expenses

(DOLLARS IN MILLIONS)	SIX MONTHS ENDED 31 DECEMBER 2013 UNAUDITED NZ$	SIX MONTHS ENDED 31 DECEMBER 2012 UNAUDITED NZ$	YEAR ENDED 30 JUNE 2013 AUDITED NZ$
Direct costs	44	42	69
Mobile acquisitions, upgrades and dealer commissions	193	175	338
Procurement and IT services	161	156	319
Broadband and internet	133	121	248
Computer costs	38	39	74
Advertising promotions and communications	44	39	71
Accommodation and co-location	43	51	108
Bad debts	16	6	14
Field service costs	17	25	39
Other expenses	98	88	178
	787	**742**	**1,458**

Note 6 Dividends and equity

Dividends paid

During the period Telecom paid a dividend relating to the six months ended 30 June 2013 of $145 million representing 8 cents per share. The dividend was partially imputed (at a ratio of 21/72), which equates to 75% imputation based on the corporate income tax rate. In addition, a supplementary dividend of approximately $13 million was paid to shareholders who are not resident in New Zealand. In accordance with the Income Tax Act 2007, Telecom receives a tax credit from Inland Revenue equivalent to the amount of supplementary dividend paid.

Declaration of dividend

On 21 February 2014 the Board of Directors approved the payment of a dividend for the half year of $146 million, representing 8 cents per share. This dividend will be partially imputed (at a ratio of 21/72), which equates to 75% imputation based on the current corporate income tax rate. In addition, a supplementary dividend of approximately $13 million (1.0588 cents per share) will be payable to shareholders who are not resident in New Zealand. In accordance with the Income Tax Act 2007, Telecom will receive a tax credit from Inland Revenue equivalent to the amount of supplementary dividends paid.

Shares issued in lieu of dividends

In respect of the six months ended 31 December 2013, 4,334,617 shares with a total value of $10 million were issued in lieu of a cash dividend (six months ended 31 December 2012: 6,493,423 shares with a total value of $15 million; year ended 30 June 2013: 9,793,591 shares with a total value of $23 million).

Note 7 Reconciliation of net earnings to net cash flow from operating activities

(DOLLARS IN MILLIONS)	SIX MONTHS ENDED 31 DECEMBER 2013 UNAUDITED NZ$	SIX MONTHS ENDED 31 DECEMBER 2012 UNAUDITED NZ$	YEAR ENDED 30 JUNE 2013 AUDITED NZ$
Net earnings for the period	167	163	238
Adjustments to reconcile net earnings to net cash flow from operating activities:			
Depreciation and amortisation	263	269	539
Bad and doubtful accounts	17	8	21
Deferred income tax	(16)	(6)	(26)
Net insurance proceeds	(8)	–	–
Gain on winding up of foreign operations	–	–	(6)
Net insurance proceeds (included in investing cash flows)	–	(10)	(15)
Asset impairments	–	–	38
Other	6	(13)	–
Changes in assets and liabilities net of effects of non-cash and investing and financing activities:			
Decrease/(increase) in accounts receivable and related items	(18)	(1)	58
Increase in inventories	(20)	(15)	(4)
Decrease in current taxation receivable	–	36	49
Decrease in accounts payable and related items	(189)	(7)	(7)
Net cash flow from operating activities	**202**	**424**	**885**

The reconciliation above is shown inclusive of the cash flows from discontinued operations.

Note 8 Discontinued operations held for sale

The Group income statement and comparatives have been re-presented to show the AAPT results to 31 December 2013 as a discontinued operation held for sale, separately from Telecom's continuing operations. The discontinued operation held for sale results for the periods presented in the income statement are as follows:

	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2013 UNAUDITED	2012 UNAUDITED	2013 AUDITED
(DOLLARS IN MILLIONS)	NZ$	NZ$	NZ$
Results of discontinued operation held for sale			
Revenues	235	263	515
Expenses	(215)	(268)	(547)
Net earnings for the period	**20**	**(5)**	**(32)**

The results of the continuing and discontinued operations set out above and in the condensed consolidated income statement are shown at a gross amount to include transactions between AAPT and the continuing operations of the Telecom Group, as this is reflective of the anticipated presentation of operating results going forward.

The cash flows of the discontinued operation held for sale are as follows:

	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2013 UNAUDITED	2012 UNAUDITED	2013 UNAUDITED
(DOLLARS IN MILLIONS)	NZ$	NZ$	NZ$
Net cash flows from operating activities	28	28	73
Net cash flows from investing activities	(27)	(26)	(49)
Net cash flows from financing activities	–	–	(35)
Net cash flows from discontinued operation held for sale	**1**	**2**	**(11)**

The carrying value of assets and liabilities of discontinued operations held for sale are:

AS AT 31 DECEMBER 2013

(DOLLARS IN MILLIONS)	NZ$
AAPT statement of net assets held for sale	
ASSETS	
Current assets held for sale:	
Cash	30
Receivables and prepayments	80
Inventories	3
Total current assets held for sale	**113**
Non-current assets held for sale:	
Intangible assets	26
Property, plant and equipment	254
Non-current assets held for sale	**280**
Total assets held for sale	**393**
LIABILITIES AND EQUITY	
Current liabilities held for sale:	
Accounts payable and accruals	89
Non-current liabilities held for sale:	
Long-term derivative liabilities	26
Total liabilities held for sale	**115**
Net AAPT assets held for sale	**278**
Telecom Cook Islands net assets held for sale*	**15**
Net assets of discontinued operations held for sale	**293**

* Includes $1 million of cash.

Note 9 Contingencies

Effect of outstanding claims

Telecom has ongoing claims, investigations and inquiries, none of which it currently believes are expected to have significant effect on the financial position or profitability of Telecom. Telecom cannot reasonably estimate the adverse effect (if any) on Telecom if any of these outstanding claims or inquiries is ultimately resolved against Telecom's interests. There can be no assurance that such litigation or inquiries will not have a significant effect on Telecom's business, financial position, results of operations or profitability.

Commitments

At 31 December 2013 capital expenditure amounting to $82 million (31 December 2012: $101 million) had been committed under contractual arrangements, with substantially all payments due within one year. The capital expenditure commitments principally relate to telecommunications network equipment. Additionally, Telecom successfully bid $66 million for three lots of 2x5 MHz of 700 MHz spectrum in October 2013 and a further $83 million in January 2014 for a fourth lot of spectrum. The acquisition of this final lot is subject to Commerce Commission approval. Following the Commission's decision on this acquisition there will be an assignment auction round to determine the location of all successful bidders' spectrum blocks within the 700 MHz band. As a condition of purchasing 2x20 MHz of this spectrum, Telecom will be required to deploy 700 MHz services on at least 300 of its rural cell sites and deploy a minimum of 10 new cell sites in each of the first five years of the spectrum licence.

Note 10 Significant events after balance date

As described in Note 6 Telecom has declared a dividend in respect of the six months ended 31 December 2013.

Note 11 Property plant and equipment

Telecom has $112 million of additions to property, plant and equipment for the six months ended 31 December 2013 ($83 million for the six months ended 31 December 2012 and $170 million for the year ended 30 June 2013).

Note 12 Current and long-term debt

(DOLLARS IN MILLIONS)	SIX MONTHS ENDED 31 DECEMBER 2013 UNAUDITED NZ$	SIX MONTHS ENDED 31 DECEMBER 2012 UNAUDITED NZ$	YEAR ENDED 30 JUNE 2013 AUDITED NZ$
Short-term debt	227	90	122
EMTN	81	79	79
TeleBonds	223	539	226
Bank funding	440	250	300
Domestic notes	250	250	250
Unamortised discount	(1)	(1)	(1)
Total debt	**1,220**	**1,207**	**976**
Debt due within one year	326	405	225
Debt due greater than one year	894	802	751
Total debt	**1,220**	**1,207**	**976**

See note 22 of Telecom's annual report for the year ended 30 June 2013 for further details on the Group's other debt facilities, the material terms of which are unchanged at 31 December 2013.

Note 13 Investment in associate companies

Telecom's investment in associate companies consists of:

	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Pacific Carriage Holdings Limited	Bermuda	50%	A holding company
Southern Cross Cables Holdings Limited	Bermuda	50%	A holding company

During the period Telecom invested $2 million for a 16% stake in Vigil Wireless Sensor Technologies Limited, a medical monitoring company. There is provision in the agreement on reaching certain milestones to increase this investment by a further $3 million increasing the Telecom shareholding to 40%.

Note 14 Financial instruments

Telecom has carried out a fair assessment of its financial assets and liabilities for 31 December 2013 in accordance with NZ IFRS 13 Fair Value Measurement.

Fair value of financial instruments

Financial instruments are either carried at amortised cost, less any provision for impairment, or fair value. The only significant variances between instruments held at amortised cost and their fair value relates to long-term debt.

The table below categorises Telecom's financial assets and liabilities, including discontinuing operations that are measured at fair value by the significance of the inputs used in making the measurements, as prescribed in NZ IFRS 7 Financial Instruments Disclosures:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL[2]
(DOLLARS IN MILLIONS)	NZ$	NZ$	NZ$	NZ$
Financial assets				
Cash	155	–	–	155
Short-term derivative assets	–	6	–	6
Long-term derivative assets	–	7	–	7
Long-term investments[1]	125	–	4	129
	280	**13**	**4**	**297**
Financial liabilities				
Short-term derivative liabilities	–	(3)	–	(3)
Long-term derivative liabilities	–	(21)	–	(21)
	–	**(24)**	**–**	**(24)**

1 Excludes associates and Government stock.
2 The fair value of the above financial instruments equals their carrying value in the statement of financial position.

Transfers

There have been no transfers between categories during the period.

Reconciliation of Level 3 fair value measurements of financial assets:

(DOLLARS IN MILLIONS)	2013 NZ$
Long-term investment in TMT & VIGIL	
Balance at 1 July 2013	2
Investment in Vigil	2
Balance at 31 December 2013	**4**

Sensitivity

Due to the size of the TMT Ventures (TMT) and Vigil investments, any sensitivity around the valuation inputs is considered to be immaterial.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Long-term investments

At 31 December 2013 Telecom had quoted and unquoted investments. The quoted investments have standard terms and conditions and are traded in active markets. Telecom measures its investment in Hutchison and in TMT at fair value and, due to the strategic nature of the investments held, Telecom has elected to carry these investments at fair value through other comprehensive income. Telecom has chosen to measure the fair value of Hutchison under NZ IFRS 9 Financial Instruments using the observable market share price. TMT's fair value is based on the latest available fund manager's report. Vigil's fair value is based on the initial investment cost.

Cross-currency interest rate swaps, interest rate swaps and forward exchange contracts

Fair values are estimated on the basis of the quoted market prices of these instruments. If a listed market price is unavailable, then fair value is estimated by using a valuation model involving discounted future cash flows of the derivative, using the applicable forward price curve (for the relevant interest rate, foreign exchange rate or commodity price) and discount rate. The fair value is adjusted for the credit component within the instruments.

Cash

The carrying amounts of these balances are approximately equivalent to their fair value because of the short term to maturity.

Auditors' review report

KPMG

To the shareholders of Telecom Corporation of New Zealand Limited

We have completed a review of the interim financial statements on pages 22 to 39 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board. The financial statements provide information about the past financial performance of Telecom Corporation of New Zealand Limited and its subsidiaries ("the Group") and its financial position as at 31 December 2013.

Directors' responsibilities

The Directors of Telecom Corporation of New Zealand Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2013 and the results of its operations and cash flows for the six month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the company in relation to other assurance related services and taxation. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 22 to 39 do not give a true and fair view of the financial position of the Group as at 31 December 2013 and the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 21 February 2014 and our opinion is expressed as at that date.

KPMG

Auckland

Lead Auditor's Independence Declaration under Section 307c of the Corporations Act 2001 to the directors of Telecom Corporation of New Zealand Limited

I declare that to the best of my knowledge and belief, in relation to the review for the six months ended 31 December 2013 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) No contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Malcolm Downes
Partner

Auckland

21 February 2014

Forward-looking statements and disclaimer

This interim report may include 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 management and information currently available at the time such statements were made.

These forward-looking statements may be identified by words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could' and similar expressions. Any statements in this report 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 interim report. 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 and the regulatory environment in New Zealand and Australia, 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 US 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 report 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 interim report includes non-GAAP financial measures that 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. **Average Revenue per User (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. **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.

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.

Shareholder inquiries/contact details

Telecom is a company incorporated with limited liability under the New Zealand Companies Act 1993 and domiciled in New Zealand (Companies Office registration number 328287 and ARBN number 050 611 277).

Registered office

Level 2
Telecom Place
167 Victoria Street West
Auckland 1010

Principal administrative office in Australia

Level 23
680 George Street
Sydney NSW 2000
Ph +61 2 9009 9009

Company secretary

Silvana Roest

New Zealand registry

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Ph +64 9 488 8777
Fax +64 9 488 8787
New Zealand Toll Free 0800 737 100
Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz

Australian registry

Computershare Investor Services Pty Limited
GPO Box 3329, Melbourne
VIC 3001, Australia
Ph +61 3 9415 4083
Australia Freephone: 1 800 501 366
Fax +61 3 9473 2500
Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz

United States registry

Details for Depositary Receipts, Transfer Agent, and Registrar
BNY Mellon Depositary Receipts
P.O. Box 43006
Providence, RI 02940-3006
United States

Toll Free phone number for United States domestic calls:
+1 888 BNY ADRS (+1 888 269 2377)

Number for international calls:
+1 201 680 6825

Email: shrrelations@bnymellon.com
Website: www.bnymellon.com/shareowner

Shareholder inquiries

Shareholder inquiries about Telecom's operating and financial performance should be emailed to investor-info@telecom.co.nz or addressed to:

GM Corporate Finance
Telecom New Zealand Limited
Private Bag 92028
Auckland 1142
New Zealand

Contact phone numbers

Australia	1800 123 350
Canada	1800 280 0398
Hong Kong	800 962 867
New Zealand	0800 737 500
Singapore	800 641 1013
United Kingdom	0800 960 283
United States	1800 208 2130

For more information

http://investor.telecom.co.nz
investor.telecom.co.nz
ARBN 050 611 277

designedby**insight**.com

telecom nz

investor.telecom.co.nz

ARBN 050 611 277

TELECOM CORPORATION OF NEW ZEALAND LIMITED
("the Company")

Directors' Declaration in respect of the Group Financial Statements for the half-year ended 31 December 2013

Date: 21 February 2014

Introduction

It is a requirement of the Australian Stock Exchange Listing Rules that a declaration be given by the Directors of the Company in respect of the financial statements for the Company and its subsidiaries and associates ("Telecom") for the half-year ended 31 December 2013. This declaration must be filed with the Australian Stock Exchange.

Declaration

The Directors of the Company hereby declare that in the Directors' opinion:

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the Telecom financial statements for the half-year ended 31 December 2013 and the notes to those financial statements:
    - comply with the accounting standards issued by the External Reporting Board; and
    - give a true and fair view of the financial position and performance of the Company.

This declaration is made in accordance with a resolution of the Directors dated 21 February 2014 and is signed for and on behalf of the Board of Directors by a Director of the Company.

Signed

Mark Verbiest
Director

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required

Full name of Issuer	TELECOM CORPORATION OF NEW ZEALAND LIMITED
Name of officer authorised to make this notice	JOLIE HODSON
Authority for event, e.g. Directors' resolution	DIRECTORS' RESOLUTION
Contact phone number	(09) 355 3775
Contact fax number	(09) 303 3430
Date	21 / 02 / 2014

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: Taxable	☐
/ Non Taxable	☐
Conversion	☐
Interest	☐
Rights Issue Renouncable	
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	√
If ticked, state whether: Interim	√
Full Year	☐
Special	☐
DRP Applies	√

EXISTING securities affected by this
If more than one security is affected by the event, use a separate form

Description of the class of securities	ORDINARY SHARE
ISIN	NZ TELE0001S4

If unknown, contact NZX

Details of securities issued pursuant to this event
If more than one class of security is to be issued, use a separate form for each class

Description of the class of securities	
ISIN	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date	
Treatment of Fractions	
Strike price per security for any issue in lieu or date Strike Price available.	
Tick if pari passu	☐
OR provide an explanation of the ranking	

If unknown, contact NZX
Enter N/A if not applicable

Monies Associated with Event
Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.080
Source of Payment	RETAINED EARNINGS
Excluded income per security (only applicable to listed PIEs)	
Currency	NZD
Total monies	$145,932,063

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.010588
Date Payable	11 April, 2014

Taxation
Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	$0.010767
Imputation Credits (Give details)	$0.023333
Foreign Withholding Tax	$
FWP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements -	21/03/14 AUST & NZ; 20/03/14 USA
Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.	11/04/14 AUST & NZ; 18/04/14 USA
Notice Date Entitlement letters, call notices, conversion notices mailed	
Allotment Date For the issue of new securities Must be within 5 business days of application closing date.	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:
Security Code: