



**MARKET RELEASE**

**18 December 2018**

## **Update on Southern Cross Cables NEXT Project**

Southern Cross Cable Network (Southern Cross) today confirmed an important milestone for the planned Southern Cross NEXT project (SX NEXT), with Southern Cross shareholders agreeing terms with Telstra to become one of the anchor customers of SX NEXT and a new shareholder in Southern Cross.

The agreed terms are subject to definitive documentation and regulatory approvals. If confirmed, Telstra is expected to become a 25 per cent shareholder in Southern Cross by investing in new shares, resulting in Spark New Zealand's shareholding being diluted to approximately 37.5 per cent.

The funding arrangements for the SX NEXT project are yet to be finalised. Once these are confirmed, Spark will update the market as appropriate on any related financial impact.

A copy of the joint announcement by the Southern Cross shareholders and Telstra is attached.

- ENDS -

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## **Telstra to make equity investment in Southern Cross Cable Network and acquire capacity on new Southern Cross NEXT Cable**

***Will join Spark New Zealand, Singtel and Verizon Business as partners in Trans-Pacific subsea cable projects***

**Singapore, Sydney, Wellington, 18 December 2018** – Southern Cross Cable Network (SCCN) and its shareholders, Spark New Zealand, Singtel and Verizon Business, are pleased to announce that Telstra has entered into agreed terms to purchase a 25 per cent stake in SCCN and substantial capacity on both the existing network and the new Southern Cross NEXT subsea cable.

The share purchase and capacity purchase are inter-conditional, and both are subject to definitive documentation and relevant regulatory approvals. SCCN owns and operates the trans-Pacific Southern Cross Cable and has initiated work on the Southern Cross NEXT cable.

Southern Cross NEXT will be a high capacity express route, providing data-centre connectivity between Sydney, Auckland, and Los Angeles and is scheduled for completion by end-2020. Given its design and route, it will be the lowest latency path from Australia and New Zealand to the United States.

The new 12,250 kilometre cable system has been developed as an extension of the existing Southern Cross eco-system. It will allow customers to leverage Southern Cross' extensive point-of-presence network and access infrastructure already in place. It will also flexibly assign new and existing capacity across the three routes from Australia to the US, Australia to New Zealand and New Zealand to the US, maximising diversity and resiliency.

Southern Cross NEXT is expected to cost around US\$300 million, and is designed to carry 72 Terabits of traffic, the equivalent of simultaneously streaming millions of movies a second, ensuring Southern Cross can cater for its customers' growing data requirements well into the future. Services offered on the new system will be an extension and integration of the services offered across the current Southern Cross platform. The construction will be funded by a combination of capacity payments, equity contributions and financing.

Southern Cross Cables President and CEO Mr Anthony Briscoe said: "Southern Cross has always been a provider of high-quality customer focused and resilient international capacity solutions, and the addition of the new Southern Cross NEXT route to the existing platform will provide existing and future customers with further resiliency and connectivity options between Australia/New Zealand and to the US via Los Angeles. We are delighted that Telstra has committed to the cable as an anchor customer, and more so that Telstra sees the value in our capability long-term and is set to take a stake in the company."

Telstra Group Executive for Enterprise Mr Michael Ebeid said: "Telstra has long been a key customer of Southern Cross and this investment will mean Telstra has an immediate ownership interest in the existing Southern Cross network, as well as in Southern Cross NEXT. This route is extremely important to our business as US to Australia traffic accounts for more than 80 per cent of all the internet traffic to Australia. Southern Cross builds on Telstra's



existing footprint in Asia Pacific and creates a critical new path for 'Australia In' and 'Australia Out' connectivity."

Singtel Vice President, Carrier Services, Group Enterprise Mr Ooi Seng Keat said: "The Southern Cross NEXT cable will be a new data superhighway expanding the existing Southern Cross network, enhancing network redundancy and providing the lowest latency route from Australia to the US. The new cable system enables Singtel Group and our Australian subsidiary Optus to meet customers' growing high performance data requirements for bandwidth-intensive applications such as unified communications, enterprise data exchange, internet TV and online gaming. With Singtel's recent investment in the INDIGO cable system, the enhanced Southern Cross eco-system will provide a new route from Southeast Asia to the US."

General Manager of Regulatory Affairs for Spark Mr John Wesley-Smith said: "This agreement is a major milestone in building what will be a valuable addition to the Southern Cross network, which provides critical connectivity between New Zealand, Australia, the Pacific Islands and the USA. Southern Cross NEXT will ensure that Southern Cross can continue to provide high quality resilient connectivity to New Zealand, and serve our customers' increasing demand for international capacity, for decades to come. We welcome Telstra as a prospective shareholder alongside us in Southern Cross."

With significant work already completed including pre-sales, marine survey, landing arrangements, Pacific Island agreements, detail design and the cable RFT, the Southern Cross NEXT project is well positioned to meet its target completion date of end 2020.

**ENDS**

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### **About Southern Cross**

Southern Cross Cable Network provides fast, direct, and secure international bandwidth from Australia, New Zealand and Hawaii to the heart of the Internet in the USA. The Southern Cross Cable Network comprises two submarine communications cables which were first commissioned in November 2000 and January 2001 at a cost of USD1.3 billion. They provide Australasian broadband users with high speed, resilient international connections to the US West coast where global Internet hubs are located. The Southern Cross Cable Network is currently owned by Spark NZ, Singtel-Optus and Verizon Business. Southern Cross Cable Network has offices in Bermuda, Sydney, Auckland and Wellington. For more information visit Southern Cross at <http://www.southerncrosscables.com>

### **About Spark**

Spark is New Zealand's largest telecommunications and digital services company, providing a wide range of mobile, broadband and entertainment media services for consumers and a comprehensive suite of cloud, security and IT service management solutions for business customers. For more information, visit [www.sparknz.co.nz](http://www.sparknz.co.nz)

### **About Singtel**

Singtel is Asia's leading communications technology group, providing a portfolio of services from next-generation communication, technology services to infotainment to both consumers and businesses. For consumers, Singtel delivers a complete and integrated suite of services, including mobile, broadband and TV. For businesses, Singtel offers a complementary array of workforce mobility solutions, data hosting, cloud, network infrastructure, analytics and cyber-security capabilities. The Group has presence in Asia, Australia and Africa and reaches over 700 million mobile customers in 21 countries. Its infrastructure and technology services for businesses span 21 countries, with more than 428 direct points of presence in 362 cities. For more information, visit [www.singtel.com](http://www.singtel.com). Follow us on Twitter at [www.twitter.com/SingtelNews](http://www.twitter.com/SingtelNews).

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### **About Telstra**

Telstra is a leading telecommunications and technology company. We offer a full range of services and compete in all telecommunications markets in Australia, operating the largest mobile and Wi-Fi networks. Globally, we provide end-to-end solutions including [managed network services](#), [global connectivity](#), [cloud](#), [voice](#), [colocation](#), [conferencing](#) and [satellite solutions](#). We have licenses in Asia, Europe and the United States and offer access to more than 2,000 points of presence across the globe. For more information visit [www.telstra.com](http://www.telstra.com).