

KORDIA GROUP LIMITED

Results for announcement to the market

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

	6 months to 31 December 2013 (NZD'000)	6 months to 31 December 2012 (NZD'000)	Percentage change
Revenue from ordinary activities	159,688	167,733	(4.8%)
Profit (loss) from continuing operations after tax	(3,782)	3,406	(211%)
Discontinued operations	-	(1,143)	(100%)
Net profit (loss)	(3,782)	2,263	(267%)

	FY13 Final Dividend	FY14 Interim Dividend
Amount	\$4m	-
Dividend Payment Date	30 September 2013	n/a

Comments:

Revenue for the half year to 31 December 2013 of \$159.7m was favourable to budget by \$17.2m. The Group revenue is lower than the prior year by \$8m, due to the strengthening NZ dollar in 2013, which impacted the Australian business (KSA) result in New Zealand dollar terms on consolidation. In Australian dollar terms, KSA grew by 8% over the prior year and delivered a record first half of revenues.

Group EBITDA of \$7m for the half year delivered a NLAT of (\$3.8m). The NZ business was profitable and tracked ahead of targets for the half. This was however offset by Kordia Solutions Australia experiencing difficult trading conditions with competitor pressure reducing margins, combined with the termination of a long term contract, which impacted profitability. Kordia has commenced proceedings disputing the termination of the agreement and seeking judgment on other contractual issues.

Net debt at 31 December 2013 is \$59.1m which is \$4m favourable to budget and \$21m lower than the prior year (31 December 2012) with gearing at 41.0% at 31 December 2013. The net debt is favourable to budget despite KSA funding its working capital requirements through borrowings, with significant overdue receivables as a result of the termination and contractual dispute mentioned above.

Kordia New Zealand

On the 1st December 2013 the final phase of the analogue television Digital Switch Over (DSO) was successfully completed. The Minister of Broadcasting, Craig Foss, was present at the Kordia Waiatarau broadcast station to push the button on the closure of analogue TV. DSO enabled the Crown to release spectrum, which has raised a "digital dividend" of over \$200m for the Crown.

Despite DSO and the associated drop in earnings for Kordia, the New Zealand business remains profitable and has encouraging underlying performance, with growth in new revenue streams, and is on track to become New Zealand's leading provider of business critical networks.

Kordia Solutions Australia

Kordia Solutions Australia has consolidated on its year-on-year revenue growth in FY14 reporting record first half revenues, growing 8% over the prior year. This growth is the result of Kordia Solutions Australia broadening its range of service offerings and consolidating its end to end services across its increasingly diverse customer base.

Despite strong revenues, earnings have been significantly impacted by a disputed

termination of a long-term contract. This has resulted in the reporting of substantial disputed stranded costs and operating losses on that contract. Kordia has commenced proceedings disputing the termination of the agreement. Kordia also asserts that it is entitled to significant damages against the other party in relation to the termination. Kordia is also involved in litigation with that party in respect of other substantive contractual matters. The outcome of these disputes is unlikely to be determined this financial year.

The deployment and evolution of technology within the mobile and broadband sectors has assisted Kordia in reporting substantial project revenues from all major telecommunications carriers. Business continues to grow across the government and corporate sectors with the Energy and Natural Resources sector comprising a large proportion of non-carrier revenues.

Continued industry consolidation and aggressive price competition has seen margin pressure across the board and the company has reacted to this with general cost cutting measures however margins are lower than the company's historical performance. This is forecast to continue in the second half of the year.

Dividends

Consistent with the disclosure in the Statement of Corporate Intent (SCI), the Group has declared no interim dividend.