



MARKET RELEASE

24 February 2021

Spark New Zealand Limited H1 FY21 Results

In accordance with the NZX Listing Rules, Spark New Zealand releases the following to the market in relation to Spark New Zealand Limited's H1 FY21 results:

1. Media Release
2. Interim Financial Statements
3. Results Announcement
4. Distribution Notice
5. Investor presentation
6. Detailed financial information.

Spark New Zealand's Chief Executive, Jolie Hodson, and Chief Financial Officer, Stefan Knight, will discuss the H1 FY21 Results at 10:00am New Zealand time today.

ASX Appendix 3A.1 will follow this release.

Authorised by:

Alastair White

GM Capital Markets

- ENDS -

For media queries, please contact:

Leela Gantman

Corporate Relations Director

+64 (0) 27 541 6338

For investor relations queries, please contact:

Alastair White

GM Capital Markets

+64 (0) 21 228 3855



MARKET RELEASE

24 February 2021

Spark New Zealand delivers steady performance amid COVID-19 challenges and updates dividend guidance on improved outlook

Spark New Zealand (Spark) today announced its financial results for the six months to 31 December 2020.

Revenue¹ decreased 1.5% to \$1,796 million due to the loss of higher-margin mobile roaming revenue from sustained COVID-19 border closures and higher voice revenue declines due to a non-recurring provision to refund historical wire maintenance charges.

While mobile service revenue declined \$5 million, or 1.2%, Spark's underlying performance remains strong. When stripping out the impact of the loss of roaming, mobile service revenue increased 3.8% from H1 FY20.

Spark continued to experience growth in cloud, security and service management revenue, which increased 4.6% to \$229 million.

The broadband and prepaid markets were impacted as border closures resulted in approximately 44,000 fewer people migrating to New Zealand in H1 FY21 vs. H1 FY20².

Disciplined cost management saw operating expenses decrease \$30 million, or 2.3%, offsetting revenue declines. As a result, EBITDAI³ grew 0.4% to \$502 million.

Net profit after tax reduced 11.4% to \$148 million, driven by a \$29 million increase in depreciation and amortisation charges resulting from the shorter asset lives of new digital technologies, and an increase in depreciation related to customer and property leases.

Spark announced an interim dividend per share of 12.5 cents, 100% imputed, and will also continue to operate the Dividend Re-investment Plan with a 2% discount.

Spark Chair Justine Smyth said: "COVID-19 has continued to challenge us as a nation, but it is encouraging to see New Zealand's economy bouncing back more quickly than expected.

"With borders closed for the foreseeable future we have had to adapt at pace to the ongoing loss of mobile roaming revenues and lower growth broadband and prepaid markets.

"The implications of COVID-19 for Spark have become clearer during the first half, with the overall FY21 EBITDAI impact now expected to be \$50 million, versus the original estimate of \$75 million.

"As a result, we have narrowed our FY21 EBITDAI guidance range to \$1,100 million to \$1,130 million⁴, and the Board and I are pleased to revise full year dividend guidance to the top end of the range at 25 cents per share."

¹ Operating revenue and other gains.

² Source: Statistics NZ net migration.

³ Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income. This is a non-GAAP financial measure.

⁴ Previously \$1,090 million to \$1,130 million. Subject to no adverse change in operating outlook.



The Company is now six months into its new three-year strategy and making solid progress growing its competitive advantage across core established markets and future growth markets.

Spark CEO Jolie Hodson said: "Our focus on delivering simpler, more intuitive customer experiences is progressing well, with the launch of our new Spark App, a further 18% of customer care interactions now being self-solved digitally, and more than 100 legacy plans already retired – with customers shifted to products that best suit their needs.

"We are also introducing a new frontline operating model where we are cross-skilling our customer care team members to improve first contact resolution, which is an important driver of customer satisfaction, and productivity.

"Demand for business transformation and digitisation continues to grow, spurred on by the rapid adoption of new ways of working established during COVID-19 lockdowns. We are investing behind digital skills programs for our small business customers, to support their adaptation to an increasingly digital marketplace.

"The broadband market was impacted during the half as COVID-19 border closures reduced the number of people moving to New Zealand and needing a connection. While this has impacted our growth aspirations in the short term, our longer-term wireless ambitions have not changed. There remains a significant addressable market, which continues to grow as we roll out 5G, and precision marketing is helping us to identify customers who are best suited to wireless broadband and provide them compelling, tailored offers.

"We have 5G available in five locations across New Zealand⁵, and we are now live testing in Christchurch, with mobile and wireless broadband offers launching to customers next month.

"We are making steady progress in our future markets, with Internet of Things (IoT) connections growing 65% during the half, our Digital Health Platform in development, and New Zealand's summer of cricket being successfully delivered and well received by Spark Sport customers.

"Cost management will remain a focus in the second half, to ensure we have the ability to respond to changing conditions if we need to."

Spark will hold an Investor Briefing on Wednesday 24 March to provide further insight into the IT and Managed Services side of its business.

Authorised by:
Alastair White
GM Capital Markets

- ENDS -

Media queries:
Leela Gantman
Corporate Relations Director
+64 (0) 27 541 6338

Investor queries:
Alastair White
GM Capital Markets
+64 (0) 21 228 3855

⁵ Auckland, Dunedin, Palmerston North, Te Awamutu and New Plymouth

Spark New Zealand Limited

ARBN 050 611 277 Spark City, 167 Victoria Street West, Private Bag 92028, Auckland, New Zealand



personalise only



INTERIM FINANCIAL STATEMENTS

FY2021

personal use only

INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

Interim financial statements	03
Notes to the interim financial statements	07
Independent auditor's review report	17

These interim financial statements do not include all the notes and information normally included in the annual financial statements. Accordingly, they should be read in conjunction with the annual financial statements for the year ended 30 June 2020.

Statement of profit or loss and other comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER

	NOTE	2020 UNAUDITED \$M	2019 UNAUDITED \$M
Operating revenues and other gains		1,796	1,824
Operating expenses		(1,294)	(1,324)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)		502	500
Finance income		17	18
Finance expense		(43)	(46)
Depreciation and amortisation		(263)	(234)
Net investment income		-	(1)
Net earnings before income tax	3	213	237
Income tax expense		(65)	(70)
Net earnings for the period		148	167
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of long-term investments designated at fair value through other comprehensive income		(51)	13
<i>Items that may be reclassified to profit or loss:</i>			
Cash flow hedges net of tax		10	1
Other comprehensive income for the period		(41)	14
Total comprehensive income for the period		107	181
Earnings per share			
Basic and diluted earnings per share (cents)		8.0	9.1
Weighted average ordinary shares (millions)		1,844	1,837
Weighted average ordinary shares and options (millions)		1,846	1,838

See accompanying notes to the interim financial statements.

Statement of financial position

		AS AT 31 DECEMBER 2020 UNAUDITED \$M	AS AT 30 JUNE 2020 AUDITED \$M
	NOTES		
Current assets			
Cash		103	53
Short-term receivables and prepayments		746	777
Short-term derivative assets		-	1
Inventories		84	96
Taxation recoverable		1	1
Total current assets		934	928
Non-current assets			
Long-term receivables and prepayments		292	284
Long-term derivative assets		48	60
Long-term investments	5	261	308
Right-of-use assets		617	698
Leased customer equipment assets		79	86
Property, plant and equipment		948	1,015
Intangible assets		1,016	968
Total non-current assets		3,261	3,419
Total assets		4,195	4,347
Current liabilities			
Short-term payables, accruals and provisions		431	463
Taxation payable		3	44
Short-term derivative liabilities		14	5
Short-term lease liabilities		55	41
Debt due within one year	6	297	228
Total current liabilities		800	781
Non-current liabilities			
Long-term payables, accruals and provisions		62	81
Long-term derivative liabilities		133	156
Long-term lease liabilities		445	531
Long-term debt	6	1,264	1,244
Deferred tax liabilities		54	61
Total non-current liabilities		1,958	2,073
Total liabilities		2,758	2,854
Equity			
Share capital		1,016	949
Reserves		(394)	(353)
Retained earnings		815	897
Total equity		1,437	1,493
Total liabilities and equity		4,195	4,347

See accompanying notes to the interim financial statements.

On behalf of the Board



Justine Smyth, Chair

Authorised for issue on 24 February 2021



Jolie Hodson, Chief Executive

Statement of changes in equity

SIX MONTHS ENDED 31 DECEMBER 2020 UNAUDITED	SHARE CAPITAL \$M	RETAINED EARNINGS \$M	HEDGE RESERVE \$M	SHARE- BASED COMPEN- SATION RESERVE \$M	RE- VALUATION RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	TOTAL \$M
Balance at 1 July 2020	949	897	(120)	2	(212)	(23)	1,493
Net earnings for the period	-	148	-	-	-	-	148
Other comprehensive income/(loss)	-	-	10	-	(51)	-	(41)
Total comprehensive income/(loss) for the period	-	148	10	-	(51)	-	107
Contributions by, and distributions to, owners:							
Dividends	-	(230)	-	-	-	-	(230)
Supplementary dividends	-	(24)	-	-	-	-	(24)
Tax credit on supplementary dividends	-	24	-	-	-	-	24
Dividend reinvestment plan	63	-	-	-	-	-	63
Issuance of shares under share schemes	4	-	-	-	-	-	4
Total transactions with owners	67	(230)	-	-	-	-	(163)
Balance at 31 December 2020	1,016	815	(110)	2	(263)	(23)	1,437

SIX MONTHS ENDED 31 DECEMBER 2019 UNAUDITED	SHARE CAPITAL \$M	RETAINED EARNINGS \$M	HEDGE RESERVE \$M	SHARE- BASED COMPEN- SATION RESERVE \$M	RE- VALUATION RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	TOTAL \$M
Balance at 1 July 2019	945	929	(85)	2	(303)	(23)	1,465
Net earnings for the period	-	167	-	-	-	-	167
Other comprehensive income/(loss)	-	-	1	-	13	-	14
Total comprehensive income/(loss) for the period	-	167	1	-	13	-	181
Contributions by, and distributions to, owners:							
Dividends	-	(229)	-	-	-	-	(229)
Supplementary dividends	-	(19)	-	-	-	-	(19)
Tax credit on supplementary dividends	-	19	-	-	-	-	19
Issuance of shares under share schemes	4	-	-	(1)	-	-	3
Total transactions with owners	4	(229)	-	(1)	-	-	(226)
Balance at 31 December 2019	949	867	(84)	1	(290)	(23)	1,420

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

	NOTE	2020 UNAUDITED \$M	2019 UNAUDITED \$M
Cash flows from operating activities			
Receipts from customers		1,828	1,861
Receipts from interest		16	17
Payments to suppliers and employees		(1,319)	(1,396)
Payments for income tax		(118)	(82)
Payments for interest on debt		(23)	(26)
Payments for interest on leases		(16)	(14)
Payments for interest on leased customer equipment assets		(4)	(3)
Net cash flows from operating activities	7	364	357
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	13
Proceeds from sale of business		8	-
Payments for purchase of business		-	(11)
Payments for, and advances to, long-term investments		(4)	(30)
Payments for purchase of property, plant and equipment, intangibles and capacity		(214)	(273)
Payments for capitalised interest		(3)	(4)
Net cash flows from investing activities		(213)	(305)
Cash flows from financing activities			
Net proceeds from debt		100	207
Receipts from finance leases		2	2
Payments for dividends		(167)	(229)
Payments for leases		(20)	(19)
Payments for leased customer equipment assets		(16)	(13)
Net cash flows from financing activities		(101)	(52)
Net cash flow		50	-
Opening cash position		53	54
Closing cash position		103	54

See accompanying notes to the interim financial statements.

Notes to the interim financial statements

NOTE 1 About this report

Reporting entity

These unaudited interim financial statements are for Spark New Zealand Limited (the 'Company') and its subsidiaries (together 'Spark' or 'the Group') for the six months ended 31 December 2020.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013. The Company is listed on the New Zealand Main Board equity security market and the Australian Securities Exchange.

Basis of preparation

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and comply with the New Zealand equivalent to International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: *Interim Financial Reporting*.

The accounting policies adopted are consistent with those followed in the preparation of Spark's annual financial statements for the year ended 30 June 2020. The preparation of the interim financial statements requires management to make estimates and assumptions. Spark has been consistent in applying the estimates and

assumptions adopted in the annual financial statements for the year ended 30 June 2020 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2020. Certain comparative information has been updated to conform with the current year's presentation.

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 relate to long-term debt. There were no changes in valuation techniques during the period. Spark's derivatives are held at fair value, calculated using discounted cash flow models and observable market rates of interest and foreign exchange and electricity prices. This represents a level two measurement under the fair value measurement hierarchy, being inputs other than quoted prices included within level one that are observable for the asset or liability.

At 31 December 2020, capital expenditure amounting to \$223 million (31 December 2019: \$249 million) had been committed under contractual arrangements. Included within this commitment is \$50 million, for the renewal of Spark's 1800MHz and 2100MHz spectrum rights, which was paid in January 2021.

Notes to the interim financial statements

NOTE 2 Significant transactions and events for the current period

The following significant transactions and events affected the financial performance and financial position of Spark for the six month period to 31 December 2020:

Debt programme (see note 6)

- On 30 November 2020 Spark renewed its \$200 million committed revolving facility with Westpac New Zealand, to mature on 30 November 2023.

Capital expenditure

- Spark's additions to property, plant and equipment and intangible assets were \$192 million, details of which are available in a separate detailed financials file on the investor section of our website at: investors.sparknz.co.nz/investor-centre.

Dividends

- Dividends paid during the six month period ended 31 December 2020 in relation to the H2 FY20 second-half dividend (ordinary dividend of 12.5 cents per share) totalled \$230 million or 12.5 cents per share.

Wire maintenance customer refunds

- Wire maintenance is a Spark service designed to cover the cost of repairing certain faults with a customer's internal wiring. Spark has now withdrawn this product for fibre customers and has made a provision, for credits to customers who purchased this product while on a fibre connection, in the current period of approximately \$17 million. This is included within voice revenues (see note 3).

COVID-19

- The effects of COVID-19 continue to have a negative impact on the financial performance of Spark's business, predominantly due to lost roaming revenues partially offset by lower than anticipated bad debt costs.

Notes to the interim financial statements

NOTE 3 Segment information

The segment results disclosed are based on those reported to the Chief Executive and are how Spark reviews its performance. Spark's segment results are measured based on product margin which includes product operating revenues and direct product costs.

The segment result excludes labour, operating expenses, depreciation and amortisation, net investment income, finance income and expense and income tax expense as these are assessed at an overall Spark Group level by the Chief Executive.

FOR THE SIX MONTHS ENDED 31 DECEMBER	2020			2019		
	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN
UNAUDITED	\$M	\$M	\$M	\$M	\$M	\$M
Mobile	651	(244)	407	653	(248)	405
Voice ¹	158	(68)	90	199	(75)	124
Broadband	337	(171)	166	345	(170)	175
Cloud, security and service management	229	(50)	179	219	(43)	176
Procurement and partners	237	(216)	21	208	(187)	21
Managed data, networks and services	123	(55)	68	121	(56)	65
Other operating revenues	57	(29)	28	75	(60)	15
Segment result	1,792	(833)	959	1,820	(839)	981

1 Refer to note 2 for the impact of wire maintenance customer refunds on voice revenues.

Notes to the interim financial statements

NOTE 3 Segment information (continued)

Reconciliation from segment result to consolidated net earnings before income tax

SIX MONTHS ENDED 31 DECEMBER	2020	2019
UNAUDITED	\$M	\$M
Segment product margin	959	981
Other gains	4	4
Labour	(255)	(267)
Other operating expenses		
Network support costs	(43)	(35)
Computer costs	(51)	(49)
Accommodation costs	(32)	(33)
Advertising, promotions and communication	(44)	(47)
Bad debts	1	(7)
Other	(37)	(47)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	502	500
Finance income		
Finance lease interest income	6	7
Other interest income	11	11
Finance expense		
Finance expense on long-term debt	(21)	(25)
Capitalised interest	3	4
Other interest and finance expenses	(6)	(7)
Lease interest expense	(15)	(15)
Leased customer equipment interest expense	(4)	(3)
Depreciation and amortisation expense		
Depreciation - property, plant and equipment	(124)	(119)
Depreciation - right-of-use assets	(35)	(28)
Depreciation - leased customer equipment assets	(19)	(15)
Amortisation of intangibles	(85)	(72)
Net investment income		
Share of associates' and joint ventures' net losses	-	(1)
Net earnings before income tax	213	237

Notes to the interim financial statements

NOTE 4 Non-GAAP measures

In addition to New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') Spark uses non-GAAP financial measures. Spark 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 Spark. These measures are also used internally to evaluate performance of products, to analyse trends in cash-based expenses, to establish operational goals and allocate resources. However, they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS, as they are not uniformly defined or utilised by all companies in New Zealand or the telecommunications industry.

Spark's policy is to present 'adjusted EBITDAI' and 'adjusted net earnings' when a financial year includes significant items (such as one-off gains,

expenses and impairments) greater than \$25 million. There are no adjusting items for the six months ended 31 December 2020 or 31 December 2019.

Earnings before finance expense and income, net investment income, income tax, depreciation and amortisation (EBITDAI)

Spark calculates EBITDAI by adding back depreciation and amortisation, finance expense and income tax expense and subtracting finance income and net investment income (which includes dividend income and Spark's share of net profits or losses from associates and joint ventures) to net earnings. A reconciliation of Spark's EBITDAI is provided below and based on amounts taken from, and consistent with, those presented in these interim financial statements.

SIX MONTHS ENDED 31 DECEMBER	2020	2019
UNAUDITED	\$M	\$M
Net earnings for the period reported under NZ IFRS	148	167
Less: finance income	(17)	(18)
Add back: finance expense	43	46
Add back: depreciation and amortisation	263	234
Add back: net investment income	-	1
Add back: income tax expense	65	70
EBITDAI	502	500

Notes to the interim financial statements

NOTE 5 Long-term investments

	AS AT 31 DECEMBER 2020 UNAUDITED \$M	AS AT 30 JUNE 2020 AUDITED \$M
Shares in Hutchison	196	247
Investment in associates and joint ventures	58	54
Other long-term investments	7	7
	261	308

Spark holds a 10% interest in Hutchison Telecommunications Australia Limited (Hutchison) which is quoted on the Australian Securities Exchange (ASX) and measures its fair value using its observable market bid share price as quoted on the ASX, classified as being within level 1 of the fair value hierarchy. As at 31 December 2020 the quoted price of Hutchison's shares on the ASX was A\$0.135 (30 June 2020: A\$0.170). The change in fair value is recognised in other comprehensive income.

Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 31 December 2020 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Connect 8 Limited	Joint Venture	New Zealand	50%	Fibre network construction
Flok Limited	Associate	New Zealand	38%	Hardware and software development
NOW New Zealand Limited	Associate	New Zealand	32%	Internet service provider
Pacific Carriage Holdings Limited	Associate	Bermuda	38%	A holding company
Pacific Carriage Holdings Limited Inc	Associate	United States	35%	A holding company
PropertyNZ Limited (homes.co.nz)	Associate	New Zealand	22%	Property data website
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	35%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

Notes to the interim financial statements

NOTE 6 Debt

				AS AT 31 DECEMBER 2020 UNAUDITED \$M	AS AT 30 JUNE 2020 AUDITED \$M
FACE VALUE	FACILITY	COUPON RATE	MATURITY		
Short-term debt					
Short-term borrowings		Variable	< 1 month	41	-
Commercial paper		Variable	< 3 months	256	228
				297	228
Bank funding					
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	-	50
MUFG Bank, Ltd	125 million NZD	Variable	30/11/2022	125	100
Westpac New Zealand Limited	200 million NZD	Variable	30/11/2023	57	-
				182	150
Domestic notes					
100 million NZD		4.50%	25/03/2022	102	103
100 million NZD		4.51%	10/03/2023	107	108
125 million NZD		3.37%	07/03/2024	133	135
125 million NZD		3.94%	07/09/2026	137	140
				479	486
Foreign currency Medium Term Notes					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	108	107
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	184	185
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	138	139
Norwegian Medium Term Notes - 1 billion NOK ¹		3.07%	19/03/2029	173	177
				603	608
				1,561	1,472
Debt due within one year				297	228
Long-term debt				1,264	1,244

1 Norwegian krone

There have been no changes in Spark's short-term financing programmes or stand-by facilities since 30 June 2020. Changes in long-term financing are disclosed in note 2 page 8 of these interim financial statements.

Notes to the interim financial statements

NOTE 6 Debt (continued)

Net debt

Net debt at hedged rates, the primary net debt measure Spark monitors, includes long-term debt at the value of hedged cash flows due to arise on maturity, plus short-term debt, less any cash.

Net debt at carrying value includes the non-cash impact of fair value hedge adjustments and any unamortised discount.

Net debt at hedged rates is a non-GAAP measure and is not defined in accordance with NZ IFRS but is a measure used by management. A reconciliation of net debt at hedged rates and net debt at carrying value is provided below:

	AS AT 31 DECEMBER 2020 UNAUDITED \$M	AS AT 30 JUNE 2020 AUDITED \$M
Cash	(103)	(53)
Short-term debt at face value	297	228
Long-term debt at face value	1,195	1,162
Net debt at face value	1,389	1,337
To retranslate debt balances at swap rates where hedged by currency swaps	11	12
Net debt at hedged rates¹	1,400	1,349
<i>Non-cash adjustments</i>		
Impact of fair value hedge adjustments ²	14	13
Unamortised discount	-	-
Net debt at carrying value	1,414	1,362

1 Net debt at the value of hedged cash flows due to arise on maturity and includes adjustment to state principal of foreign currency medium term notes at the hedged currency rate.

2 Fair value hedge adjustments arise on domestic notes and foreign currency medium term notes in hedging relationships. These have no impact on the cash flows to arise on maturity.

Notes to the interim financial statements

NOTE 7 Reconciliation of net earnings to net cash flows from operating activities

SIX MONTHS ENDED 31 DECEMBER	2020	2019
UNAUDITED	\$M	\$M
Net earnings for the period	148	167
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	263	234
Bad and doubtful accounts	1	9
Deferred income tax	(11)	(3)
Share of associates' and joint ventures' net losses	-	1
Impairments	-	-
Other gains	(4)	(4)
Other	1	5
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	24	19
Movement in inventories	12	(41)
Movement in current taxation	(41)	(9)
Movement in payables and related items	(29)	(21)
Net cash flows from operating activities	364	357

Notes to the interim financial statements

NOTE 8 Dividends

On 24 February 2021, the Board approved the payment of a first half ordinary dividend of 12.5 cents per share or approximately \$231 million. The dividend will be 100% imputed in line with the corporate income tax rate. In addition, supplementary dividends totalling approximately \$24 million will be payable to shareholders who are not resident in New Zealand. In accordance with the Income Tax Act 2007, Spark will receive a tax credit from Inland Revenue equivalent to the amount of supplementary dividends paid.

	H1 FY21
	ORDINARY DIVIDENDS
Dividends declared	
Ordinary shares	12.5 cents
American Depositary Shares ¹	45.66 US cents
Imputation	
Percentage imputed	100%
Imputation credits per share	4.8611 cents
Supplementary dividend per share ²	2.2059 cents
'Ex' dividend dates	
New Zealand Stock Exchange	18/03/21
Australian Securities Exchange	18/03/21
American Depositary Shares	18/03/21
Record dates	
New Zealand Stock Exchange	19/03/21
Australian Securities Exchange	19/03/21
American Depositary Shares	19/03/21
Payment dates	
New Zealand and Australia	9/04/21
American Depositary Shares	19/04/21

1 For H1 FY21, these are based on the exchange rate at 19 February 2021 of NZ\$1 to US\$0.7306 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.

2 Supplementary dividends are paid to non-resident shareholders.

Dividend Reinvestment Plan

The dividend reinvestment plan has been retained for the H1FY21 dividend. Shares issued under the dividend reinvestment plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue. The last date for shareholders to elect to participate in the dividend reinvestment plan for the H1 FY21 dividend is 22 March 2021.

Spark's Dividend Reinvestment Plan Offer Document and Participation Notice can be found on Spark's Investor Centre Website: investors.sparknz.co.nz



Independent Auditor's Review Report To the Shareholders of Spark New Zealand Limited

Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Spark New Zealand Limited ('the Company') and its subsidiaries ('the Group'), which comprise the statement of financial position as at 31 December 2020, and, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 3 to 16.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for Spark New Zealand Limited in the area of taxation advisory and compliance services and holiday pay compliance work. These services have not impaired our independence as auditor of the Group. In addition to this, the Chief Executive has both a sister and brother-in-law that are partners at Deloitte. These Deloitte partners are not involved in the provision of any services to the Group and its subsidiaries and this matter has not impacted our independence. Also, partners and employees of our firm deal with Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in the Group.

Directors' responsibilities for the interim financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly we do not express an audit opinion on the interim financial statements.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our engagement, for this report, or for the conclusions we have formed.

Deloitte Limited

**Jason Stachurski, Partner
for Deloitte Limited**

Auckland, New Zealand

24 February 2021

Contact details

Registered office

Level 2
Spark City
167 Victoria Street West
Auckland 1010
New Zealand
Ph +64 4 471 1638 or 0800 108 010

Company secretary

Silvana Roest

New Zealand registry

Link Market Services Limited
Level 11 Deloitte Centre
PO Box 91976
80 Queen Street
Auckland 1142
Ph +64 9 375 5998 (investor enquiries)
Fax +64 9 375 5990
enquiries@linkmarketservices.com
www.linkmarketservices.co.nz

Australian registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Australia
Locked Bag A14
Sydney South NSW 1235
Australia
Ph +61 1300 554 484 (investor enquiries)
Fax +61 2 9287 0303
registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

Spark New Zealand Limited

ARBN 050 611 277

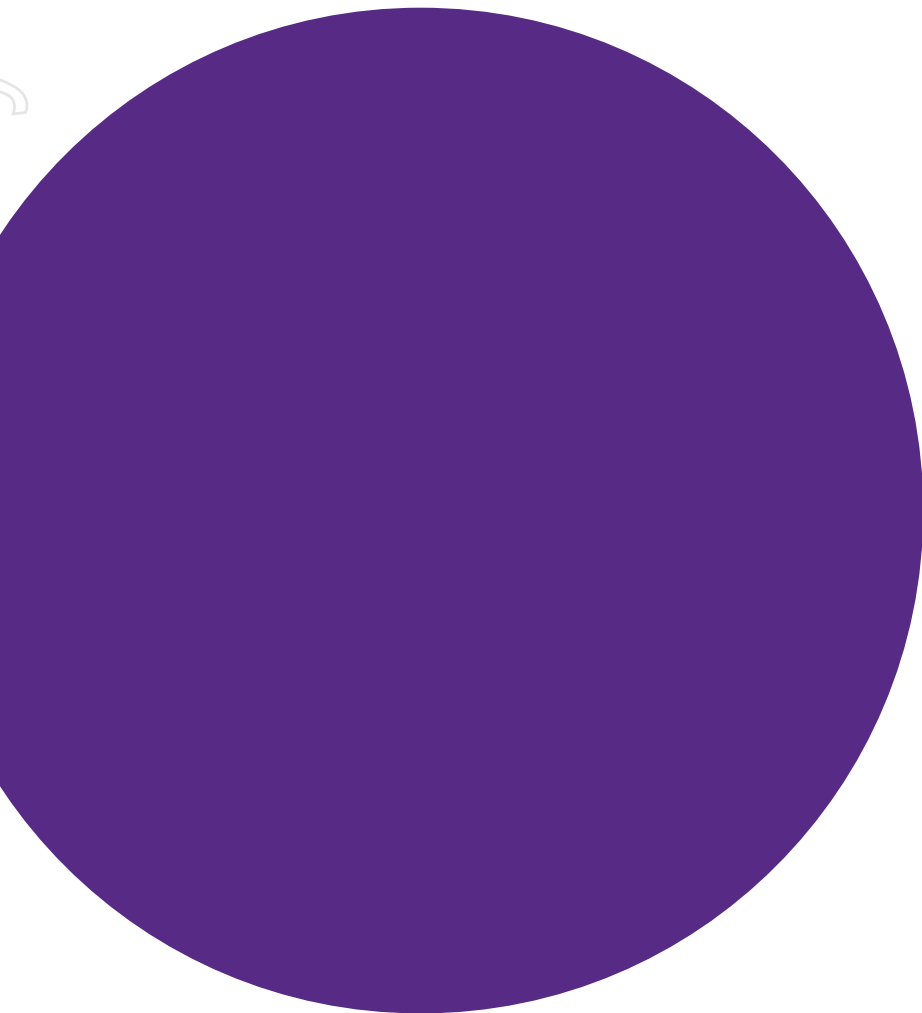
United States registry

Computershare Investor Services
P.O. Box 505000
Louisville, KY 40233-5000
United States of America
Ph +1 888 BNY ADRS (+1 888 269 2377)
or +1 201 680 6825 (from outside the
United States)
shrrelations@cpushareownerservices.com
www-us.computershare.com/investor

For more information

For inquiries about Spark's operating and
financial performance contact:
investor-info@spark.co.nz
Investor Relations
Spark New Zealand Limited
Private Bag 92028
Auckland 1142
New Zealand
investors.sparknz.co.nz

personal use only





Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Spark New Zealand Limited	
Reporting Period	6 months to 31 December 2020	
Previous Reporting Period	6 months to 31 December 2019	
Currency	NZD - New Zealand Dollar	
	Amount (000s)	Percentage change
Revenue from continuing operations	NZD\$1,796,000	-1.5%
Total Revenue	NZD\$1,796,000	-1.5%
Net profit/(loss) from continuing operations	NZD\$148,000	-11.4%
Total net profit/(loss)	NZD\$148,000	-11.4%
Interim/Final Dividend		
Amount per Quoted Equity Security	NZD\$0.12500000 (comprised only of an ordinary dividend)	
Imputed amount per Quoted Equity Security	NZD\$0.04861111	
Record Date	19 March 2021	
Dividend Payment Date	9 April 2021	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	As at 31 December 2020: NZD\$0.23	As at 31 December 2019: NZD\$0.22
A brief explanation of any of the figures above necessary to enable the figures to be understood	Changes in Spark’s earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) are provided in the addendum.	
Authority for this announcement		
Name of person authorised to make this announcement	Stefan Knight, Finance Director (CFO)	
Contact person for this announcement	Alastair White, GM Capital Markets	
Contact phone number	+64 (0) 21 228 3855	
Contact email address	investor-info@spark.co.nz	
Date of release through MAP	24 February 2021	

Unaudited financial statements accompany this announcement.

Addendum:

	Amount (000s)	Percentage change
Reported earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (Reported EBITDAI)	NZD\$502,000	0.4%



Distribution Notice

Section 1: Issuer information				
Name of issuer	Spark New Zealand Limited			
Financial product name/description	Ordinary shares			
NZX ticker code	SPK			
ISIN (If unknown, check on NZX website)	NZ TELE0001S4			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year		Quarterly	
	Half Year	X	Special	
	DRP applies	Yes		
Record date	19 March 2021			
Ex-Date (one business day before the Record Date)	18 March 2021			
Payment date (and allotment date for DRP)	9 April 2021 AUST & NZ; 19 April 2021 USA			
Total monies associated with the distribution	NZD\$231,483,928 (1,851,871,427 shares @ \$0.125 per share)			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD - New Zealand Dollar			
Section 2: Distribution amounts per financial product				
Gross distribution	NZD\$0.17361111			
Gross taxable amount	NZD\$0.17361111			
Total cash distribution	NZD\$0.12500000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	NZD\$0.02205882			
Section 3: Imputation credits and Resident Withholding Tax				
Is the distribution imputed	Fully imputed			
	Partial imputation			
	No imputation			
If fully or partially imputed, please state imputation rate as % applied	28%			
Imputation tax credits per financial product	NZD\$0.04861111			

Resident Withholding Tax per financial product	NZD\$0.00868056	
Section 4: Distribution re-investment plan		
DRP % discount (if any)	2%	
Start date and end date for determining market price for DRP	18 March 2021	24 March 2021
Date strike price to be announced (if not available at this time)	25 March 2021	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	New Issue	
DRP strike price per financial product		
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	22 March 2021	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Stefan Knight, Finance Director (CFO)	
Contact person for this announcement	Alastair White, GM Capital Markets	
Contact phone number	+64 (0) 21 228 3855	
Contact email address	investor-info@spark.co.nz	
Date of release through MAP	24 February 2021	



Spark New Zealand H1 FY21 Results Summary

Jolie Hodson, Chief Executive Officer
Stefan Knight, Finance Director



Results overview

H1 FY21 snapshot



\$1,796m

REVENUE⁽¹⁾

(1.5%) decrease from H1 FY20



\$502m

EBITDAI⁽²⁾

0.4% increase from H1 FY20



\$148m

NPAT

(11.4%) decrease from H1 FY20



12.5c

H1 FY21 DIVIDEND

**Total FY21 Dividend Guidance
confirmed at 25.0cps⁽³⁾**



\$113m

FREE CASH FLOW⁽⁴⁾

126% increase from H1 FY20



\$229m

CLOUD REVENUE⁽⁵⁾

4.6% increase from H1 FY20

⁽¹⁾ Operating revenues and other gains

⁽²⁾ Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) is a non-Generally Accepted Accounting Practice performance measure that is defined and reconciled to net earnings in Spark New Zealand's Interim Financial Statements

⁽³⁾ Subject to no adverse change in operating outlook

⁽⁴⁾ The calculation of free cash flow is defined within the 'cash flows' worksheet of the H1 FY21 detailed financials

⁽⁵⁾ Cloud, security & service management revenue

First half operating conditions

- New Zealand's economy recovering sooner than expected, however the recent Auckland lockdown demonstrates uncertainty remains.
- Early indications of lower billing and collection risk – however, Government stimulus may continue to mask the full extent of the impact.
- Decline in overall mobile market revenue⁽¹⁾ due to border closures and loss of roaming revenues.
- The broadband and prepaid markets were impacted as border closures resulted in approximately 44,000 fewer people migrating to New Zealand⁽²⁾ in H1 FY21 vs. H1 FY20.
- Demand for collaboration tools to enable flexible working and business continuity with flexible cloud-based “as a service” offerings increasing, but at a slower rate due to economic uncertainty.
- Accelerated cost reduction programme to mitigate impacts of COVID-19.
- Supporting New Zealand's recovery by investing in critical 5G infrastructure, digital skills for small business, and bridging the digital divide for vulnerable communities.

⁽¹⁾ Market share estimates sourced from IDC

⁽²⁾ Source: Statistics New Zealand

H1 FY21 Established Market Performance

WIRELESS

MOBILE

Mobile service revenue market share⁽¹⁾ at 40.4%, up 0.2pp from H1 FY20 driven by pay monthly connection growth of 68k YoY

Mobile service revenue down 1.2% to \$420m due to loss of \$21m higher-margin outbound roaming revenue

Underlying performance remains strong – after stripping out the impact of the loss of roaming, mobile service revenue⁽²⁾ up 3.8%

Prepaid connections down in line with market, ARPU up 8.1% as customers shift to Endless plans⁽³⁾

BROADBAND

23% of base on wireless – 165k customers, up from 156k at 30 June 2020

Broadband market impacted – ~44k less people migrating to New Zealand in H1 FY21 vs. H1 FY20

Aggressive competitor acquisition activity and execution challenges during COVID-19 disruption

Remain committed to target of ~30-40% of base on wireless by FY23 – 5G rollout growing addressable base and precision marketing improving acquisition

CLOUD

CLOUD, SECURITY AND SERVICE MANAGEMENT

Cloud, security and service management revenue up 4.6% YoY

Annuity revenue accounting for ~84% of cloud, security and service management revenues

Collaboration revenue up 4.2% YoY as COVID-19 increased demand for collaboration products in support of flexible working

Strong revenue momentum in service management with completed transitions successfully converting into ongoing programmes of work

⁽¹⁾ Market share estimates sourced from IDC

⁽²⁾ Adjusted to include \$21m of outbound roaming revenue as a result of COVID-19. NOTE: inbound roaming is reported in mobile non-service revenue

⁽³⁾ IDC market estimates show overall prepaid connection decline of ~9%. Spark prepaid connections down 134k YoY as a result of border closures and reduced immigration with ~44k fewer people migrating in H1 FY21 vs H1 FY20.

Strategic Update: World Class Capabilities and Culture

Building the foundation to ignite revenue momentum as market conditions improve

SIMPLE, INTUITIVE CUSTOMER EXPERIENCES

- Simplification progressing at pace – over 100 legacy plans retired in the half
- 18% YoY reduction in total customer care interactions driven by improving digital self-service
- Launched NextGen Spark App with enhanced digital journey functionality
- Some impacts to iNPS as a new frontline operating model was introduced, aimed at cross-skilling to deliver better customer experiences and improved productivity

DEEP CUSTOMER INSIGHTS

- Expansion of customer base in household view model leading to a 9% YoY improvement in marketing efficiency
- Propensity models developed to better target plan and device offers to Skinny customers
- Continued progress in cloud migration with 3 core systems migrated during the period

SMART, AUTOMATED NETWORK

- 5G launched in Auckland, Dunedin, Palmerston North, New Plymouth, Te Awamutu and now live testing in Christchurch
- OTN2.0⁽¹⁾ commissioned to support automation, self-healing of the network and resilience
- Infrastructure asset review to identify further opportunities to create value (see slide 8)

GROWTH MINDSETS

- Continuing to build Agile maturity across all parts of business
- New ways of working policy introduced to support flexibility, adapt to COVID-19 impacts and grow engagement
- Digital leadership development and talent management programmes delivered to significant portion of leadership population

⁽¹⁾ Optical Transport Network

Strategic Update: Future Markets



IoT⁽¹⁾

- **IoT connection growth:** 65% YoY demonstrating strong demand for service offerings
- **Growing awareness:** *Connecting NZ to the things that matter* national advertising campaign launched
- **Sector product development:** water metering devices and platform launched
- **Spark My IoT Platform:** live and in trial with customers



Digital Health

- **Tailored telco and IT services delivered:** at a time of unprecedented demand in the health sector
- **Digital Health Platform:** significant progress towards launch
- **Next Generation Health 5G Starter Fund:** and 2021 Spark Health Innovation Programme launched



Sport

- **Summer of Cricket:** great customer feedback on production and viewing experience during first two tours (West Indies and Pakistan)
- **High viewership:** more than 3 million hours of cricket viewed to date
- **Successful launch of Pay-Per-View boxing events:** providing new revenue stream
- **Leveraging Spark data capability:** to increase the cross-sell of Spark Sport to existing customers

⁽¹⁾ Internet of Things

Opportunities to grow the value of Infrastructure assets

- Increased interest in quality infrastructure assets.
- Spark has a significant infrastructure asset portfolio.
- We continue to review investment and partnership opportunities that make commercial sense and maintain our competitive advantage.
- Our aim is to drive greater capital efficiency, increased resilience and better experiences for customers.
- We will provide an update at our full year results.

SPARK INFRASTRUCTURE ASSETS



1,500 mobile sites



35 major network sites



18 Data Centres⁽¹⁾



1,200 km national fibre backhaul network



Satellite station



Ownership stake in 3 sub-sea cables



Metro and regional data networks fibre/wireless

⁽¹⁾ Combination of Tier 2 and 3 facilities

FY21 indicators of success

Strategic Pillar	Focus Area	Measure	Target 30 June 2021	Status
World Class Capability	Customer Experience	Consumer and small business iNPS	8 point lift	Improvement needed ⁽¹⁾
	Data driven insights	80% of customer base ⁽²⁾ in household view ⁽³⁾ enabling	15% efficiency gain in marketing spend	On Track
	Wireless future	Progressive rollout of 5G	Live in 5-7 locations	On Track
	Mature Agile Leadership	Percentage of Agile squads at or above level 3.5	85%	On Track
Grow established markets	Wireless	Mobile service revenue growth	0-3%	Impacted by COVID-19
	Wireless	Wireless broadband connections	+40k	Improvement needed
	Cloud	Cloud, security and service management revenue growth	5-8%	On Track
Accelerate future markets	IoT	Growth in number of connected IoT devices	50%	Ahead
	Spark Sport	Successfully deliver season 1 of New Zealand cricket	Platform availability of 99.9%	On Track
Lowest Cost Provider	Deliver best cost	EBITDAI margin	31%	On Track
Build a sustainable future	Championing digital equity	Skinny Jump connections	+10k	Improvement needed
	Sustainable Spark	Set emissions reductions target aligned to New Zealand being carbon neutral by 2050 ⁽⁴⁾	By 30 June 2021	On Track

⁽¹⁾ The iNPS score has been rebased to include an even larger sample of customer interaction feedback

⁽²⁾ Spark and Skinny consumer and Spark SME customer base

⁽³⁾ Household view is an insights platform that allows us to better anticipate the needs of New Zealand households to deliver more targeted, relevant and personalised services

⁽⁴⁾ As part of commitment to Climate Leaders Coalition

Financials

Financial summary

Disciplined cost management delivering stable EBITDAI despite ongoing impacts of COVID-19

(\$28m)
(1.5%)

**Revenue
movement**
vs. H1 FY20

\$30m
2.3%

**Opex
movement**
vs. H1 FY20

\$2m
0.4%

**EBITDAI
movement**
vs. H1 FY20

(\$19m)
(11.4%)

**NPAT
movement**
vs. H1 FY20

\$63m
126%

**Free cash flow
movement**
vs. H1 FY20

12.5cps
-%

**H1 FY21
Dividend**
vs. H1 FY20

Top line revenue of \$1,796m, \$28m or 1.5% down on prior year due to:

- Mobile service revenue decline due to loss of high-margin roaming revenue; and
- Higher rate of voice revenue decline due to non-recurring provision to refund historical wire maintenance charges.

Operating expenses down \$30m, or 2.3% YoY, with \$68m of gross cost-out benefits offsetting revenue decline.

Reported EBITDAI of \$502m, 0.4% up on prior year despite impacts of COVID-19 as a result of strong cost management.

NPAT down \$19m, or 11.4% YoY, primarily driven by a \$29m increase in depreciation and amortisation expense as a result of:

- The shift to shorter asset lives and increased right of use asset depreciation due to FY20 customer related lease activity and retail property leases.
- D&A expected to increase over the near term as a result of shorter asset lives and spectrum renewals and purchases before reducing to align with capital investment in the longer term.

Free cash flow of \$113m, up \$63m YoY, due to tight management of working capital resulting in higher cash conversation rate of 102%.

Net debt of \$1,400m, up \$51m YoY. Reported net debt to EBITDAI ratio within Spark's internal threshold of 1.4x.

H1 FY21 dividend per share of 12.5cps to be 100% imputed. Total FY21 dividend guidance⁽¹⁾ confirmed at 25.0cps as a result of strong free cashflow. Dividend Reinvestment Plan (DRP) retained with 2% discount.

⁽¹⁾Subject to no adverse change in operating outlook

Financials

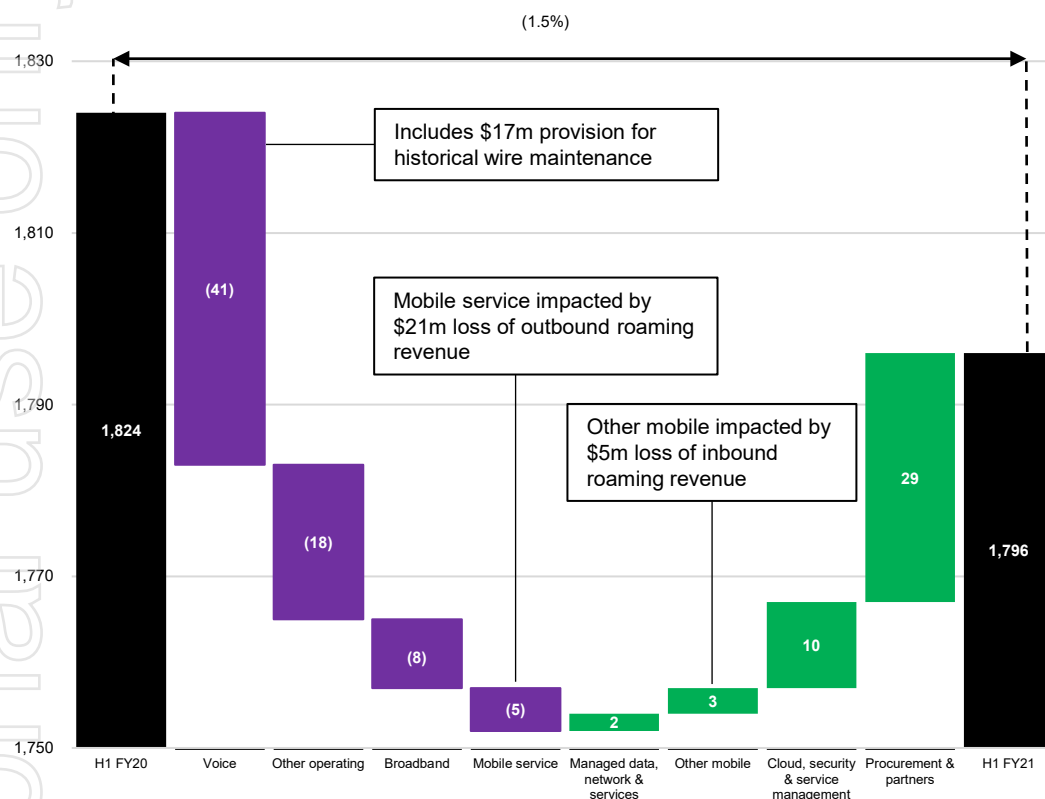
	H1 FY20 \$m	H1 FY21 \$m	CHANGE
Operating revenues and other gains	1,824	1,796	(1.5%)
Operating expenses	(1,324)	(1,294)	(2.3%)
EBITDAI	500	502	0.4%
Finance income	18	17	(5.6%)
Finance expense	(46)	(43)	(6.5%)
Depreciation and amortisation	(234)	(263)	(12.4%)
Net investment income	(1)	-	100%
Net earnings before tax expense	237	213	(10.1%)
Tax expense	(70)	(65)	(7.1%)
Net earnings after tax expense	167	148	(11.4%)
Capital expenditure	247	192	(22.3%)
Free cash flow ⁽¹⁾	50	113	126%
EBITDAI margin	27.4%	28.0%	0.6pp
Effective tax rate	29.5%	30.5%	1.0pp
Capital expenditure to operating revenues	13.5%	10.7%	(2.8pp)
Earnings per Share	9.1	8.0	(12.1%)
Total Dividend per Share	12.5c	12.5c	-

⁽¹⁾ The calculation of free cash flow is defined within the 'cash flows' worksheet of the H1 FY21 detailed financials

Revenue

H1 FY21 revenue down 1.5% due to COVID-19 impacts and one-off provision

Revenue H1 FY20 vs H1 FY21 (\$m)



H1 FY21 revenue impacts include:

- Higher voice revenue decline of 20.6% due to non-recurring provision of \$17m to refund historical wire maintenance charges (underlying decline of 12.1% in line with previous trends);
- Other operating revenue decline includes timing of Spark Sport revenue with summer of cricket commencing in late November;
- Broadband revenues impacted by lower overall market growth⁽²⁾ and aggressive competitor activity;
- Mobile service revenue decline of \$5m or 1.2%. Loss of ~\$26m high margin mobile roaming revenue due to ongoing travel restrictions and border closures as a result of COVID-19. Strong underlying growth of \$16m or 3.8% when adjusted for loss of roaming revenue⁽¹⁾; and
- Cloud, security and service management up \$10m or 4.6% driven by higher annuity revenues and growth in Leaven, highlighting the benefits of business transformation service management offerings particularly in a COVID-19 context.

FY21 revenue likely to be broadly flat reflective of the economic environment and ongoing impacts of COVID-19.

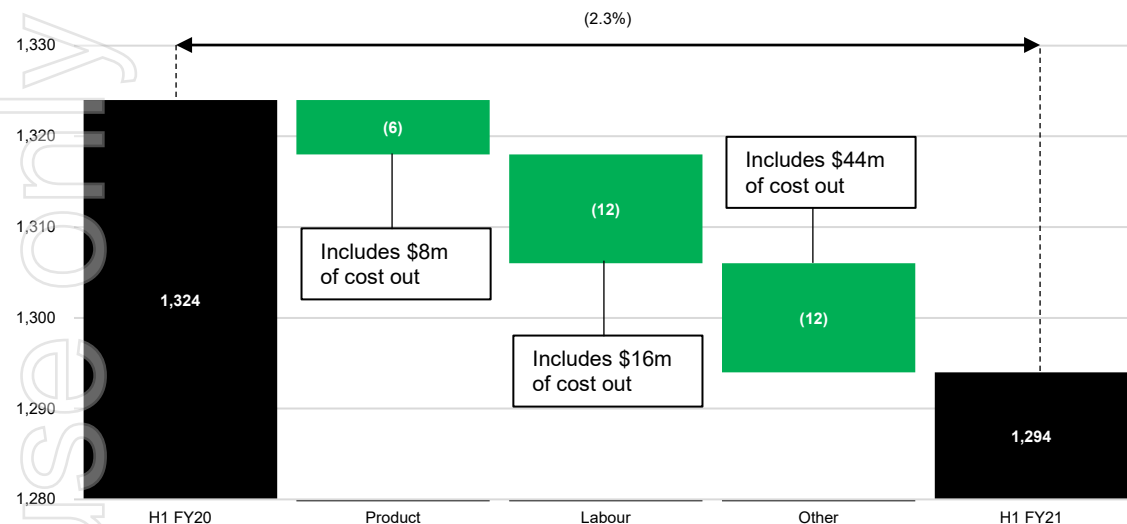
⁽¹⁾ Adjusted to include \$21m of outbound roaming revenue as a result of COVID-19. NOTE: inbound roaming is reported in mobile non-service revenue

⁽²⁾ Market share estimates sourced from IDC

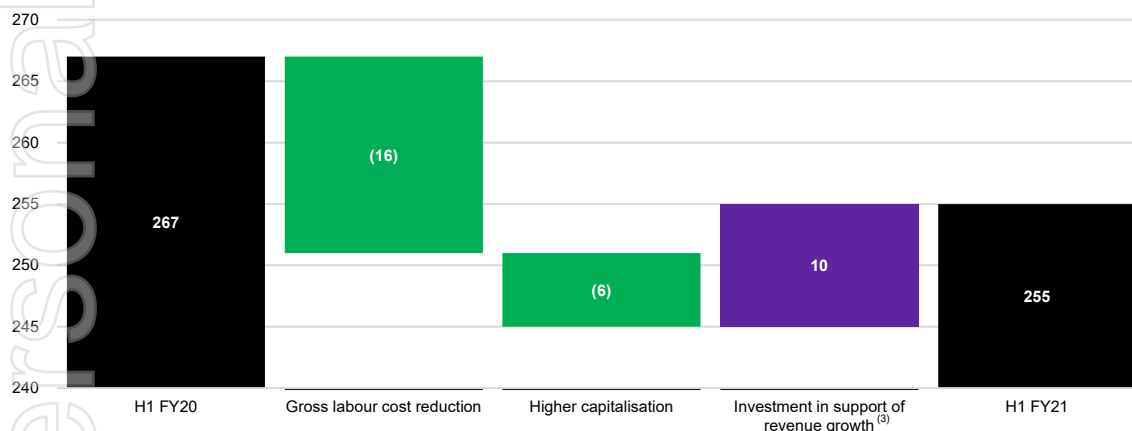
Operating expenses

Operating expenses down 2.3% with targeted cost out programme offsetting revenue impacts

Expenses H1 FY20 vs H1 FY21 (\$m)



Net Labour H1 FY20 vs H1 FY21 (\$m)



- \$68m of gross cost-out delivered in H1 across product, other operating expenses and labour.
- Reduction in product costs due to lower Spark Sport⁽¹⁾ costs and divestment of Lightbox, offset by procurement related cost of sales.
- Decline in other operating expenses driven by:
 - Lower bad debts as Government stimulus supports the economy;
 - Decline in travel expenses; and
 - Reduction in marketing spend due to precision marketing efficiencies.
- Decrease in net labour costs of \$12m or 4.5% YoY due to:
 - Divestment of CCL networks business⁽²⁾;
 - Legacy business resources reducing in line with ongoing transition to digital journeys and expanded self service options; and
 - Increased capitalisation of labour.

Robust cost out programme to offset impacts of COVID-19 continues into H2 targeting reductions in excess of FY20.

⁽¹⁾Full cost of RWC 2019 was expensed during H1 FY20. H1 FY21 cricket only launched in late November

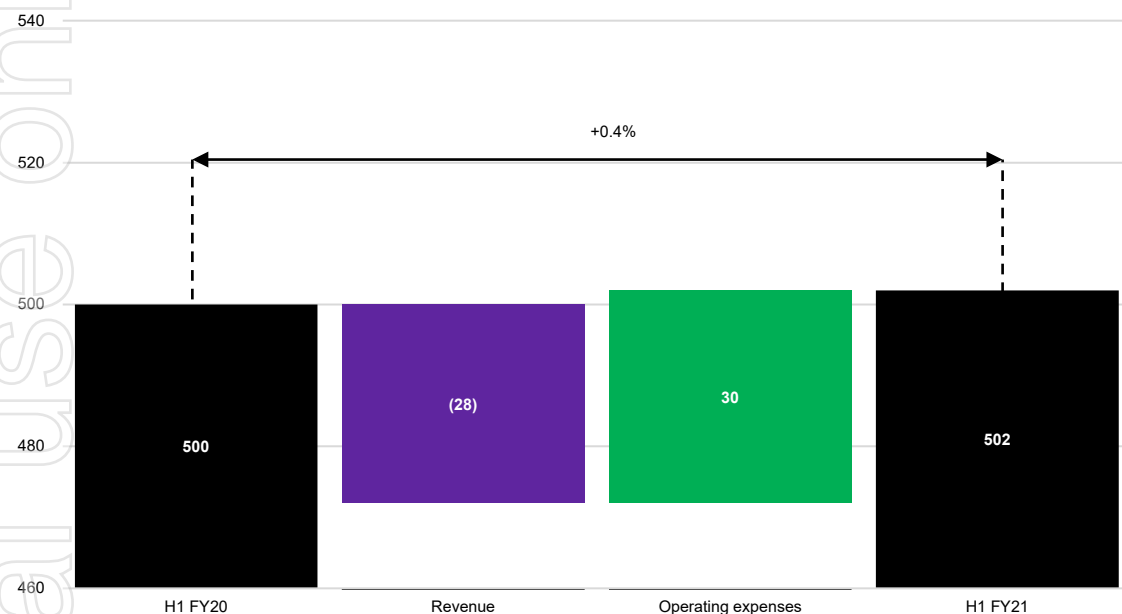
⁽²⁾Divestment of CCL Network completed in January 2020

⁽³⁾Investment in support of growth includes increases in labour in support of cloud, security and service management revenue growth, Leaven, Digital Health and service operations

EBITDAI

Maintained EBITDAI through strong operational and cost disciplines despite impacts of COVID-19

EBITDAI H1 FY20 vs H1 FY21 (\$m)



- EBITDAI maintained through early intervention around cost during COVID-19 lockdowns and then capitalising on improving market conditions to ignite revenue momentum.
- H1 FY21 COVID-19 impacts of ~\$27m, strong underlying EBITDAI momentum.
- EBITDAI margin of 28% - on track for FY21 aspiration of 31%.

- Impact of COVID-19 in FY21 expected to be less material at ~\$50m, vs. original estimate of \$75m. This will be partially offset by non-recurring cumulative wire maintenance provision of \$17m.
- H2 FY21 EBITDAI expected to benefit from stable revenues and continuation of cost-out programme.

Capital investment

\$55m reduction in spend on prior year, consistent with targeted reduction in full-year capital envelope from ~\$370m to ~\$350m excluding spectrum investment of \$50m

Capital expenditure (\$m)	H1 FY20	H1 FY21
Mobile network	92	58
IT systems	73	66
Core sustain and resiliency	50	34
Cloud ⁽¹⁾	16	9
Converged Communications Network (CCN)	11	15
International cable construction and capacity ⁽²⁾	0	1
Other ⁽³⁾	5	9
Total capital expenditure	247	192
Total capital expenditure to operating revenue	13.5%	10.7%

- Strong focus on more actively managing phasing of capital expenditure over the financial year, with 55% spent in H1 FY21, versus 66% in H1 FY20.
- Mobile and core network investment was high in H1 FY20 in support of heavy network investment in the lead up to the Rugby World Cup.
- Ongoing investment in mobile network in support of increased capacity and 5G rollout.
- Reduction in IT system investment in line with expectations.
- Investment in Converged Communications Network (CCN) continues, with the South Island resiliency initiative added to scope in H1 FY21.

Prioritised allocation of capex combined with long-term investments in mobile spectrum of \$50m resulting in greater overall investment in FY21 versus FY20.

⁽¹⁾ Reduction in Cloud spend due to divestment of CCL networks business and shift towards leasing construct

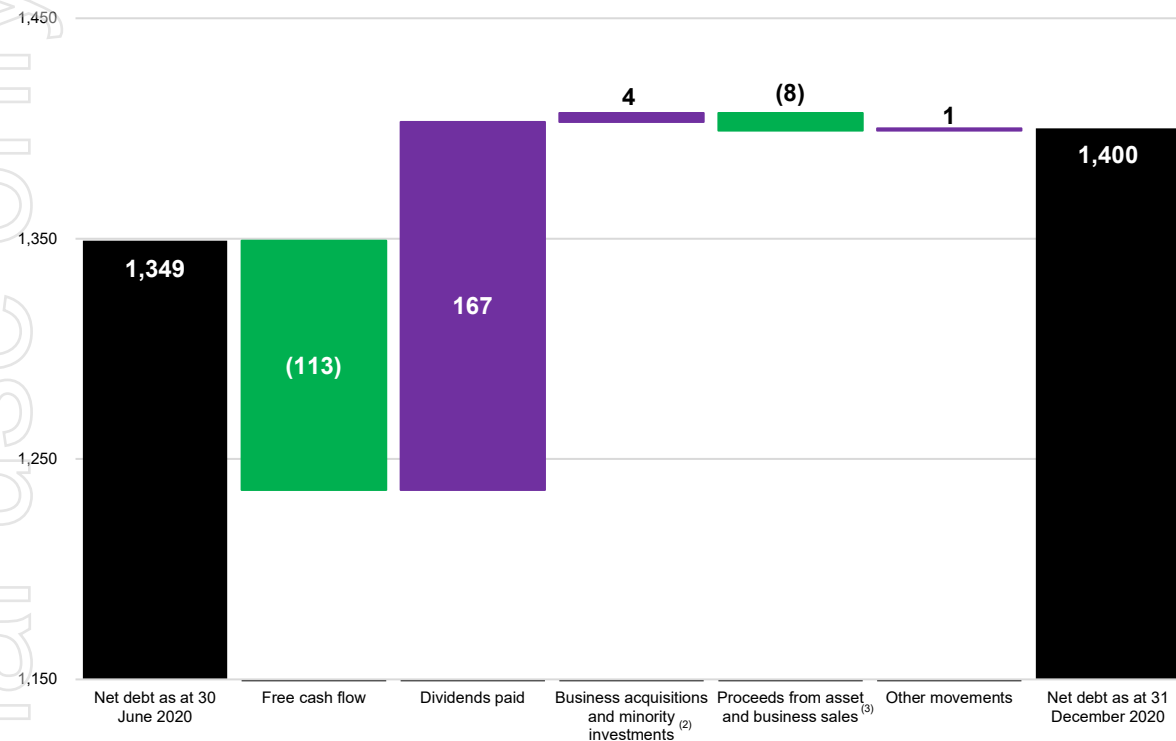
⁽²⁾ International cable includes capacity purchases on Southern Cross cable and investment in Tasman Global Access cable

⁽³⁾ Increase in other investments due to new retail store fit outs including new flagship store in the Commercial Bay precinct

Net debt

Total net debt of \$1,400m, up \$51m YoY. Net debt to EBITDAI ratio within Spark's internal threshold of 1.4x

Movement in net debt during FY21 (\$m)



- Reported net debt to EBITDAI ratio of 1.35x⁽¹⁾ consistent with S&P A- credit rating.
- Net debt expected to reduce during H2 FY21 due to:
 - Seasonal weighting of EBITDAI towards H2;
 - Planned reduction in capital investment, with H2 spend lower than H1;
 - Ongoing working capital improvements; and
 - Strong DRP⁽⁴⁾ participation.

Spectrum renewal payments for 1800MHz and 2100MHz paid for in January 2021 now expected to be funded by free cash flow

⁽¹⁾ Spark's internal capital management policy is to ensure that on a long-run basis reported net debt to EBITDAI does not exceed 1.4x; which Spark estimates is approximately equivalent to S&P's 1.7x adjusted net debt to EBITDA threshold. Spark's internal threshold of 1.4x excludes S&P's adjustments in relation to IFRS16, and captive finance operations

⁽²⁾ Business acquisitions and minority investments include Rural Connectivity Group and joint venture equity contributions

⁽³⁾ Proceeds from strategic Lightbox divestment

⁽⁴⁾ Dividend Reinvestment Plan remains in place for H1 FY21 dividend. Shares issued under the Dividend Reinvestment Plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue

Free cash flow

Free cash flow of \$113m, up \$63m YoY, due to active management of working capital and higher cash conversion rate of 102%

H1 FY21
free cash flow
growth driven by:

\$113m

FREE CASH FLOW⁽¹⁾

126% increase from H1 FY20

\$502m

EBITDAI

0.4% increase from H1 FY20

\$192m

CAPEX

22.3% decrease from H1 FY20

\$42m

WORKING CAPITAL

Improvement in working capital
from H1 FY20

FY21 free cash flow aspiration of \$420m-\$460m sufficient to fund shareholder distributions of 25.0cps⁽²⁾ after taking into account impact of dividend reinvestment plan⁽³⁾.

H2 FY21 free cashflow driven by:

1

EBITDAI Seasonality

~55% of EBITDAI delivered in H2

2

Phasing of capital
expenditure

~55% of FY21 capex already incurred

3

Ongoing
improvement in
working capital

4

Timing of tax
payments

2 out of 3 annual income tax payments
paid in H1

⁽¹⁾ The calculation of free cash flow is defined within the 'cash flows' worksheet of the H1 FY21 detailed financials

⁽²⁾ Subject to no adverse change in operating outlook

⁽³⁾ Dividend Reinvestment Plan remains in place for H1 FY21 dividend. Shares issued under the Dividend Reinvestment Plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue

Guidance⁽¹⁾

	FY20 Actual	Previous FY21 Guidance	FY21 Spectrum Renewals ⁽²⁾	Change to FY21 Guidance
EBITDAI	\$1,113m	\$1,090m to \$1,130m	-	\$1,100m to \$1,130m
Capital expenditure	\$374m	~\$350m	\$50m	-
Dividend per share	Ordinary 25.0cps H1 FY20 (75% imputed) H2 FY20 (100% imputed)	Ordinary 23-25cps (100% imputed)	-	Ordinary 25.0cps ⁽³⁾ (100% imputed)

⁽¹⁾ Subject to no adverse change in operating outlook

⁽²⁾ 1800MHz and 2100MHz spectrum renewals paid in January 2021

⁽³⁾ Dividend Reinvestment Plan remains in place for H1 FY21 dividend. Shares issued under the Dividend Reinvestment Plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue

SAVE

THE

DATE



Spark^{nz}

Managed Services Presentation

Wednesday 24 March 2021
10.00am

Disclaimer

This announcement may include forward-looking statements regarding future events and the future financial performance of Spark New Zealand. Such forward-looking statements are based on the beliefs of and assumptions made by management along with information currently available at the time such statements were made.

These forward-looking statements may be identified by words such as 'guidance', 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could', 'ambition', 'aspiration' and similar expressions. Any statements in this announcement 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 Spark New Zealand's control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this announcement.

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 Spark New Zealand's anticipated growth strategies, Spark New Zealand's future results of operations and financial condition, economic conditions and the regulatory environment in New Zealand, competition in the markets in which Spark New Zealand operates, risks related to the sharing arrangements with Chorus, any impacts or risks to Spark's anticipated growth strategies, future financial condition and operations, economic conditions or the regulatory environment in New Zealand arising from or otherwise with COVID-19, other factors or trends affecting the telecommunications industry generally and Spark New Zealand's financial condition in particular and risks detailed in Spark New Zealand's filings with NZX and ASX. Except as required by law or the listing rules of the stock exchanges on which Spark New Zealand is listed, Spark New Zealand undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Spark New Zealand

Group result - reported

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues and other gains	1,754	1,779	1,824	1,799	1,796	1,824	1,796	(28)	(1.5%)
Operating expenses	(1,265)	(1,178)	(1,324)	(1,186)	(1,294)	(1,324)	(1,294)	30	2.3%
EBITDAI	489	601	500	613	502	500	502	2	0.4%
Finance income	18	19	18	18	17	18	17	(1)	(5.6%)
Finance expense	(40)	(45)	(46)	(48)	(43)	(46)	(43)	3	6.5%
Depreciation and amortisation expense	(245)	(232)	(234)	(245)	(263)	(234)	(263)	(29)	(12.4%)
Net investment income	-	14	(1)	2	-	(1)	-	1	100.0%
Net earnings before income tax	222	357	237	340	213	237	213	(24)	(10.1%)
Tax expense	(69)	(101)	(70)	(80)	(65)	(70)	(65)	5	7.1%
Net earnings for the period	153	256	167	260	148	167	148	(19)	(11.4%)
Capital expenditure	264	153	247	127	192	247	192	(55)	(22.3%)
Free cash flows	108	184	50	388	113	50	113	63	NM
Reported EBITDAI margin	27.9%	33.8%	27.4%	34.1%	28.0%	27.4%	28.0%	0.6%	
Reported effective tax rate	31.1%	28.3%	29.5%	23.5%	30.5%	29.5%	30.5%	1.0%	
Capital expenditure to operating revenues	15.1%	8.6%	13.5%	7.1%	10.7%	13.5%	10.7%	(2.8%)	
Reported basic and diluted earnings per share (cents)	8.3	14.0	9.1	14.1	8.0	9.1	8.0	-1.1	(12.1%)

Gross margin by product

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Mobile	376	399	405	424	407	405	407	2	0.5%
Voice	143	139	124	121	90	124	90	(34)	(27.4%)
Broadband	168	176	175	166	166	175	166	(9)	(5.1%)
Cloud, security and service management	163	164	176	177	179	176	179	3	1.7%
Procurement and partners	18	25	21	25	21	21	21	-	-%
Managed data, network and services	66	66	65	64	68	65	68	3	4.6%
Other product	25	26	15	33	28	15	28	13	86.7%
Total product gross margin	959	995	981	1,010	959	981	959	(22)	(2.2%)
Other gains	-	15	4	31	4	4	4	-	-%
Total gross margin	959	1,010	985	1,041	963	985	963	(22)	(2.2%)

Connections

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Mobile connections ¹	2,464	2,515	2,500	2,519	2,431	2,500	2,431	(69)	(2.8%)
Voice connections by type ²									
POTS & ISDN	356	329	288	220	197	288	197	(91)	(31.6%)
VoIP	57	62	66	73	84	66	84	18	27.3%
Voice over wireless	18	26	26	24	23	26	23	(3)	(11.5%)
	431	417	380	317	304	380	304	(76)	(20.0%)
Broadband connections									
Copper	296	249	211	186	157	211	157	(54)	(25.6%)
Fibre	273	306	340	367	381	340	381	41	12.1%
Wireless	129	140	141	156	165	141	165	24	17.0%
	698	695	692	709	703	692	703	11	1.6%

¹ Mobile connections excluding MVNO connections but including legacy machine to machine and SIM based SmartWatch connections

² Voice connections include all voice technology types, including POTS, ISDN, VoIP and wireless voice. Voice connections exclude connections where Spark also provide a bundled broadband service, but include all wholesale voice connections (including those where the underlying customer has a bundled broadband service).

Spark New Zealand

Group FTE's

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
									%
FTE permanent	5,107	5,109	5,119	4,983	4,961	5,119	4,961	(158)	(3.1%)
FTE contractors	212	167	200	146	121	200	121	(79)	(39.5%)
Total FTE	5,319	5,276	5,319	5,129	5,082	5,319	5,082	(237)	(4.5%)

Dividends

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
						\$	\$	\$	%
Ordinary dividends (cents per share)	11.00	11.00	12.50	12.50	12.50	12.50	12.50	-	-%
Special dividends (cents per share)	1.50	1.50	-	-	-	-	-	-	NM
	12.50	12.50	12.50	12.50	12.50	12.50	12.50	-	-%

For personal use only

Spark New Zealand

Group operating revenues and other gains

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues									
Mobile									
Service revenue	403	413	425	423	420	425	420	(5)	(1.2%)
Non-service revenue	219	236	228	212	231	228	231	3	1.3%
	622	649	653	635	651	653	651	(2)	(0.3%)
Voice									
Access	109	105	97	88	66	97	66	(31)	(32.0%)
Calling	87	83	79	81	71	79	71	(8)	(10.1%)
Other voice revenue	29	28	23	23	21	23	21	(2)	(8.7%)
	225	216	199	192	158	199	158	(41)	(20.6%)
Broadband	344	341	345	335	337	345	337	(8)	(2.3%)
Cloud, security and service management	195	205	219	224	229	219	229	10	4.6%
Procurement and partners	191	174	208	200	237	208	237	29	13.9%
Managed data, network and services	121	121	121	127	123	121	123	2	1.7%
Other operating revenue	56	58	75	55	57	75	57	(18)	(24.0%)
Total operating revenues	1,754	1,764	1,820	1,768	1,792	1,820	1,792	(28)	(1.5%)
Other gains	-	15	4	31	4	4	4	-	-%
Total operating revenues and other gains	1,754	1,779	1,824	1,799	1,796	1,824	1,796	(28)	(1.5%)

Operating revenues includes revenues from Consumer, Business, Wholesale and other customer segments.
Wireless broadband revenues and connections are included in broadband revenues and connections.

Operating revenues and other gains by customer segment

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues and other gains									
Consumer	790	814	825	757	769	825	769	(56)	(6.8%)
Business	861	851	906	920	940	906	940	34	3.8%
Wholesale and other	124	137	119	148	113	119	113	(6)	(5.0%)
Eliminations	(21)	(23)	(26)	(26)	(26)	(26)	(26)	-	-%
	1,754	1,779	1,824	1,799	1,796	1,824	1,796	(28)	(1.5%)

Finance income

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Finance income									
Finance lease interest income	7	7	7	6	6	7	6	(1)	(14.3%)
Other interest income	11	12	11	12	11	11	11	-	-%
	18	19	18	18	17	18	17	(1)	(5.6%)

Net investment income

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Net investment income									
Dividend income	-	15	-	-	-	-	-	-	NM
Share of associates' and joint ventures' net losses	-	(1)	(1)	2	-	(1)	-	1	100.0%
	-	14	(1)	2	-	(1)	-	1	100.0%

Revenue classification changes

As part of the ongoing revision of the Agile business model, the management of certain customer segment lines have been reallocated from one part of the business to another. The details of the key changes and the associated impact on revenue reporting are as follows:

Customer segment line	Services provided	Previous customer segment	Current customer segment
Internet of things	Provision of internet-connected objects that are able to connect and transfer data over a wireless network without human intervention	Business	Other

Spark New Zealand

Group operating expenses

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Product costs									
Mobile	246	250	248	211	244	248	244	(4)	(1.6%)
Voice	82	77	75	71	68	75	68	(7)	(9.3%)
Broadband	176	165	170	169	171	170	171	1	0.6%
Cloud, security and service management	32	41	43	47	50	43	50	7	16.3%
Procurement and partners	173	149	187	175	216	187	216	29	15.5%
Managed data, network and services	55	55	56	63	55	56	55	(1)	(1.8%)
Other product costs	31	32	60	22	29	60	29	(31)	(51.7%)
	795	769	839	758	833	839	833	(6)	(0.7%)
Labour	250	225	267	244	255	267	255	(12)	(4.5%)
Other operating expenses									
Network support costs	37	24	35	30	43	35	43	8	22.9%
Computer costs	46	47	49	49	51	49	51	2	4.1%
Accommodation costs	37	30	33	30	32	33	32	(1)	(3.0%)
Advertising, promotions and communication	47	40	47	31	44	47	44	(3)	(6.4%)
Bad debts	6	6	7	10	(1)	7	(1)	(8)	NM
Impairment expense	5	(2)	-	2	-	-	-	-	NM
Other	42	39	47	32	37	47	37	(10)	(21.3%)
	220	184	218	184	206	218	206	(12)	(5.5%)
Total operating expenses	1,265	1,178	1,324	1,186	1,294	1,324	1,294	(30)	(2.3%)
Finance expense									
Finance expense on debt	23	25	25	28	21	25	21	(4)	(16.0%)
Other interest and finance expense	4	7	7	5	6	7	6	(1)	(14.3%)
Lease interest expense	15	15	15	16	15	15	15	-	-%
Leased customer equipment interest expense	2	2	3	3	4	3	4	1	33.3%
	44	49	50	52	46	50	46	(4)	(8.0%)
Capitalised interest	(4)	(4)	(4)	(4)	(3)	(4)	(3)	1	25.0%
	40	45	46	48	43	46	43	(3)	(6.5%)
Depreciation and amortisation expense									
Depreciation - property, plant and equipment	128	118	119	114	124	119	124	5	4.2%
Depreciation - right-of-use assets	25	31	28	36	35	28	35	7	25.0%
Depreciation - leased customer equipment assets	9	9	15	12	19	15	19	4	26.7%
Amortisation of intangibles	83	74	72	83	85	72	85	13	18.1%
	245	232	234	245	263	234	263	29	12.4%

Spark New Zealand

Analysis & KPI's - Mobile

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Mobile revenue by type (Consumer and Business)									
Mobile service revenue	398	409	421	419	415	421	415	(6)	(1.4%)
Mobile non-service revenue ¹	206	224	216	197	223	216	223	7	3.2%
	604	633	637	616	638	637	638	1	0.2%
Wholesale and other customer segment mobile revenue ²	18	16	16	19	13	16	13	(3)	(18.8%)
Total mobile revenue	622	649	653	635	651	653	651	(2)	(0.3%)
Mobile product costs ³	(246)	(250)	(248)	(211)	(244)	(248)	(244)	4	1.6%
Mobile gross margin	376	399	405	424	407	405	407	2	0.5%
Mobile gross margin %	60.5%	61.5%	62.0%	66.8%	62.5%	62.0%	62.5%	0.5%	
	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Total mobile revenue by customer segment									
Consumer	410	443	443	419	438	443	438	(5)	(1.1%)
Business	194	190	194	197	200	194	200	6	3.1%
Wholesale and other	18	16	16	19	13	16	13	(3)	(18.8%)
	622	649	653	635	651	653	651	(2)	(0.3%)
	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	%
Average revenue per user (ARPU) - 6 month active Consumer and Business									
Total ARPU	27.56	27.57	28.48	28.05	28.51	28.48	28.51	0.03	0.1%
Pay-monthly ARPU	42.82	42.43	42.82	41.19	39.97	42.82	39.97	(2.85)	(6.7%)
Prepaid ARPU	12.29	12.66	13.28	13.37	14.36	13.28	14.36	1.08	8.1%
	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Number of mobile connections at period end - 6 month active - Consumer and Business ⁴									
Pay-monthly connections	1,225	1,251	1,287	1,330	1,355	1,287	1,355	68	5.3%
Prepaid connections	1,206	1,232	1,181	1,161	1,047	1,181	1,047	(134)	(11.3%)
Internal connections	4	4	4	4	4	4	4	-	-%
Total mobile connections	2,435	2,487	2,472	2,495	2,406	2,472	2,406	(66)	(2.7%)

¹ Mobile non-service revenue includes handset sales and mobile interconnect.

² Includes MVNO revenue.

³ Includes handset, interconnect and cellphone tower access costs.

⁴ Excludes MVNO connections but includes SIM based SmartWatch connections

Spark New Zealand

Analysis & KPI's - Voice

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Revenue by type									
Access	109	105	97	88	66	97	66	(31)	(32.0%)
Calling	87	83	79	81	71	79	71	(8)	(10.1%)
Other voice revenue	29	28	23	23	21	23	21	(2)	(8.7%)
Total voice revenue	225	216	199	192	158	199	158	(41)	(20.6%)
Voice product costs ¹	(82)	(77)	(75)	(71)	(68)	(75)	(68)	7	9.3%
Voice gross margin	143	139	124	121	90	124	90	(34)	(27.4%)
Voice gross margin %	63.6%	64.4%	62.3%	63.0%	57.0%	62.3%	57.0%	(5.3%)	

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Voice connections by type									
POTS and ISDN	356	329	288	220	197	288	197	(91)	(31.6%)
VoIP	57	62	66	73	84	66	84	18	27.3%
Voice over wireless	18	26	26	24	23	26	23	(3)	(11.5%)
Total voice connections	431	417	380	317	304	380	304	(76)	(20.0%)

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Voice connections by customer segment									
Consumer	104	103	93	49	58	93	58	(35)	(37.6%)
Business	177	178	173	169	165	173	165	(8)	(4.6%)
Wholesale and other	150	136	114	99	82	114	82	(32)	(28.1%)
Total voice connections	431	417	380	317	305	380	305	(75)	(19.7%)

¹ Includes voice access (baseband), interconnect, and international calling costs.

Analysis & KPI's - Broadband

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Total broadband revenue	344	341	345	335	337	345	337	(8)	(2.3%)
Broadband product costs ²	(176)	(165)	(170)	(169)	(171)	(170)	(171)	(1)	(0.6%)
Broadband gross margin	168	176	175	166	166	175	166	(9)	(5.1%)
Broadband gross margin %	48.8%	51.6%	50.7%	49.6%	49.3%	50.7%	49.3%	(1.4%)	

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Broadband connections by technology									
Copper	296	249	211	186	157	211	157	(54)	(25.6%)
Fibre	273	306	340	367	381	340	381	41	12.1%
Wireless	129	140	141	156	165	141	165	24	17.0%
Total broadband connections	698	695	692	709	703	692	703	11	1.6%

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Broadband connections by segment									
Consumer	598	593	587	595	585	587	585	(2)	(0.3%)
Business	98	99	100	103	103	100	103	3	3.0%
Wholesale and other	2	3	5	11	15	5	15	10	NM
Total broadband connections	698	695	692	709	703	692	703	11	1.6%

² Includes broadband access (UBA/UCLL/Fibre), modem and e-mail platform support costs.

Spark New Zealand

Analysis & KPI's - Cloud, Security and Service management

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Cloud, Security and Service management revenue	195	205	219	224	229	219	229	10	4.6%
Cloud, Security and Service management product costs	(32)	(41)	(43)	(47)	(50)	(43)	(50)	(7)	(16.3%)
Cloud, Security and Service management gross margin	163	164	176	177	179	176	179	3	1.7%
Cloud, Security and Service management gross margin %	83.6%	80.0%	80.4%	79.0%	78.2%	80.4%	78.2%	(2.2%)	
Contribution margin (approximated) % ¹	36.4%	42.0%	34.2%	37.9%	32.8%	34.2%	32.8%	(1.4%)	

¹ Contribution margin is defined as reported gross margin less labour and other costs that are directly attributable to the implementation and ongoing support of specific contract services.

Analysis & KPI's - Procurement and Partners

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Procurement and partners revenue	191	174	208	200	237	208	237	29	13.9%
Procurement and partners product costs	(173)	(149)	(187)	(175)	(216)	(187)	(216)	(29)	(15.5%)
Procurement and partners gross margin	18	25	21	25	21	21	21	-	-%
Procurement and partners gross margin %	9.4%	14.4%	10.1%	12.5%	8.9%	10.1%	8.9%	(1.2%)	

Analysis & KPI's - Managed data, network and services

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Collaboration	25	20	24	28	25	24	25	1	4.2%
Managed data and networks	96	101	97	99	98	97	98	1	1.0%
Managed data, network and services revenue	121	121	121	127	123	121	123	2	1.7%
Managed data, network and services product costs ²	(55)	(55)	(56)	(63)	(55)	(56)	(55)	1	1.8%
Managed data, network and services gross margin	66	66	65	64	68	65	68	3	4.6%
Managed data, network and services gross margin %	54.5%	54.5%	53.7%	50.4%	55.3%	53.7%	55.3%	1.6%	

² Includes wide area network access, international data, network backhaul and videoconferencing platform costs.

Spark New Zealand

Statement of cash flows

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Cash flows from operating activities									
Cash received from customers	1,770	1,654	1,861	1,733	1,828	1,861	1,828	(33)	(1.8%)
Interest receipts	18	17	17	17	16	17	16	(1)	(5.9%)
Dividend receipts	-	15	-	-	-	-	-	-	NM
Payments to suppliers and employees	(1,314)	(1,169)	(1,396)	(1,101)	(1,319)	(1,396)	(1,319)	77	5.5%
Payments for income tax	(44)	(91)	(82)	(58)	(118)	(82)	(118)	(36)	(43.9%)
Payments for interest on debt	(22)	(23)	(26)	(26)	(23)	(26)	(23)	3	11.5%
Payments for interest on leases	(13)	(17)	(14)	(16)	(16)	(14)	(16)	(2)	(14.3%)
Payments for interest on leased customer equipment assets	(2)	(2)	(3)	(3)	(4)	(3)	(4)	(1)	(33.3%)
Net cash flows from operating activities	393	384	357	546	364	357	364	7	2.0%
Cash flows from investing activities									
Proceeds from sale of property, plant and equipment	-	1	13	-	-	13	-	(13)	(100.0%)
Proceeds from sale of business	-	-	-	23	8	-	8	8	NM
Proceeds from long-term investments	-	2	-	-	-	-	-	-	NM
Payments for purchase of businesses	-	-	(11)	-	-	(11)	-	11	100.0%
Payments for, and advances to, long-term investments	(6)	-	(30)	(5)	(4)	(30)	(4)	26	86.7%
Payments for purchase of property, plant and equipment and intangibles	(258)	(157)	(273)	(120)	(214)	(273)	(214)	59	21.6%
Payments for capitalised interest	(3)	(5)	(4)	(4)	(3)	(4)	(3)	1	25.0%
Net cash flows from investing activities	(267)	(159)	(305)	(106)	(213)	(305)	(213)	92	30.2%
Cash flows from financing activities									
Net proceeds from debt	182	(28)	207	(177)	100	207	100	(107)	(51.7%)
Receipts from finance leases	3	3	2	4	2	2	2	-	-%
Payments for dividends	(229)	(230)	(229)	(230)	(167)	(229)	(167)	62	27.1%
Payments for leases	(19)	(17)	(19)	(23)	(20)	(19)	(20)	(1)	(5.3%)
Payments for leased customer equipment assets	(8)	(9)	(13)	(15)	(16)	(13)	(16)	(3)	(23.1%)
Net cash flows from financing activities	(71)	(281)	(52)	(441)	(101)	(52)	(101)	(49)	(94.2%)
Net cash flow	55	(56)	-	(1)	50	-	50	50	NM
Opening cash position	55	110	54	54	53	54	53	(1)	(1.9%)
Closing cash position	110	54	54	53	103	54	103	49	90.7%

Spark New Zealand

Analysis & KPIs - Free cash flows

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Net cash flows from operating activities	393	384	357	546	364	357	364	7	2.0%
Payments for purchase of property, plant and equipment and intangibles	(258)	(157)	(273)	(120)	(214)	(273)	(214)	59	21.6%
Payments for capitalised interest	(3)	(5)	(4)	(4)	(3)	(4)	(3)	1	25.0%
Payments for leases	(19)	(17)	(19)	(23)	(20)	(19)	(20)	(1)	(5.3%)
Payments for leased customer equipment assets	(8)	(9)	(13)	(15)	(16)	(13)	(16)	(3)	(23.1%)
Receipts from finance leases	3	3	2	4	2	2	2	-	-%
<i>excluding</i>									
Dividend receipts	-	(15)	-	-	-	-	-	-	NM
Increase/(decrease) in working capital	38	99	31	(48)	(11)	31	(11)	(42)	NM
Underlying free cash flow	146	283	81	340	102	81	102	21	25.9%
<i>including</i>									
(Increase)/decrease in working capital	(38)	(99)	(31)	48	11	(31)	11	42	NM
Free cashflow	108	184	50	388	113	50	113	63	126.0%

Analysis & KPIs - Movement in working capital

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
EBITDAI	489	601	500	613	502	500	502	2	0.4%
<i>excluding</i>									
Impairments	(5)	2	-	(2)	-	-	-	-	NM
Other gains	-	15	4	31	4	4	4	-	-%
EBITDAI excluding impairments and other gains	494	584	496	584	498	496	498	2	0.4%
Net cash flows from operating activities	393	384	357	546	364	357	364	7	2.0%
<i>excluding</i>									
Interest receipts	18	17	17	17	16	17	16	(1)	(5.9%)
Dividend receipts	-	15	-	-	-	-	-	-	NM
Payments for income tax	(44)	(91)	(82)	(58)	(118)	(82)	(118)	(36)	(43.9%)
Payments for interest on debt	(22)	(23)	(26)	(26)	(23)	(26)	(23)	3	11.5%
Payments for interest on leases	(13)	(17)	(14)	(16)	(16)	(14)	(16)	(2)	(14.3%)
Payments for interest on leased customer equipment assets	(2)	(2)	(3)	(3)	(4)	(3)	(4)	(1)	(33.3%)
Net cash flows from operating activities excluding dividends, tax and net interest	456	485	465	632	509	465	509	44	9.5%
EBITDAI excluding impairments and other gains	494	584	496	584	498	496	498	2	0.4%
<i>less</i>									
Net cash flows from operating activities excluding dividends, tax and net interest	456	485	465	632	509	465	509	44	9.5%
Increase/(decrease) in working capital	38	99	31	(48)	(11)	31	(11)	(42)	(135.5%)
Cash conversion	92%	83%	94%	108%	102%	94%	102%	8%	

Spark New Zealand

Group capital expenditure

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Cloud	26	10	16	8	9	16	9	(7)	(43.8%)
Converged Communications Network (CCN)	20	11	11	7	15	11	15	4	36.4%
International cable construction and capacity purchases	11	1	-	11	1	0	1	1	NM
IT systems	70	62	73	56	66	73	66	(7)	(9.6%)
Mobile network	89	29	92	24	58	92	58	(34)	(37.0%)
Core sustain and resiliency	36	27	50	15	34	50	34	(16)	(32.0%)
Other	12	13	5	6	9	5	9	4	80.0%
Total capital expenditure	264	153	247	127	192	247	192	(55)	(22.3%)

Capital expenditure is presented on an accruals basis, and includes purchase of property, plant and equipment and intangible assets, capacity purchases (including Southern Cross) but excludes leased customer equipment assets.

Analysis & KPI's - Capital expenditure depreciation and amortisation

On adoption of NZ IFRS 16 *Leases*, assets associated with capacity arrangements which were previously recognised within intangible assets have been reclassified to right-of-use assets. Payments for capacity purchases remain within Spark's definition of capital expenditure. Total depreciation on property plant and equipment, depreciation on capacity right-of-use assets and amortisation of intangibles is reconciled

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H1 FY20	H1 FY21	H1 FY20 v H1 FY21	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Depreciation - property, plant and equipment	128	118	119	114	124	119	124	5	4.2%
Depreciation - right-of-use assets ⁴	9	13	10	11	11	10	11	1	10.0%
Amortisation of intangibles	83	74	72	83	85	72	85	13	18.1%
Total capital expenditure depreciation and amortisation	220	205	201	208	220	201	220	19	9.5%

⁴ Includes depreciation on capacity right-of-use assets only as these are included within Spark's definition of capital expenditure.