MARKET RELEASE

23 February 2022

Spark New Zealand Limited H1 FY22 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 FY22 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 FY22 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:
Ellie Cross
Corporate Relations Lead Partner
+64 (0) 22 630 0665

For investor relations queries, please contact:
Chante Mueller
Investor Relations Manager
+64 (0) 27 469 3062

MARKET RELEASE

23 February 2022

Spark delivers strong first half performance and announces plans to establish Spark TowerCo

- Strong half year performance with revenue[1], EBITDAI[2], and NPAT all in growth
- Mobile a standout, with Spark the fastest growing provider by connections and revenue year-on-year[3]
- H1 FY22 dividend of 12.5 cents per share declared, 100% imputed
- Plans to establish Spark TowerCo to drive improved utilisation and capital efficiency of passive mobile assets, and create opportunities to introduce third-party capital

Spark New Zealand (Spark) today announced a strong H1 FY22 result, with revenue, EBITDAI, and NPAT all in growth.

Revenue increased 5.2% to $1,890 million, driven by a standout performance in mobile. Spark was the fastest growing NZ mobile provider by connections and revenues year-on-year[3], with mobile service revenue up 5%.

A successful launch of simplified broadband plans stabilised Spark's base at 702,000 connections. While broadband revenue fell 3.9% in a highly competitive market, gross margin was maintained as the benefits of wireless broadband (WBB) growth offset increased fibre costs.

Cloud, security, and service management revenues grew 3.2%, driven by demand for public cloud and growth in the health sector.

Spark's investment behind future markets continued to gain momentum. Spark IoT connections increased 31% to 623,000, supporting strong revenue growth; Spark Health won the first national contract for digital services under the newly established Health New Zealand and grew revenues 25%[4]; and Spark Sport grew revenues despite the sporting calendar being significantly impacted by Covid-19.

Growing revenues drove a 7.6% increase in EBITDAI to $538 million. NPAT increased 21.8% to $179 million, driven by EBITDAI growth, a reduction in finance expense and lease liability interest, and lower depreciation and amortisation.

Spark declared an H1 FY22 dividend per share of 12.5 cents, 100% imputed, supported by free cash flow of $183 million.

Spark New Zealand Chair Justine Smyth said: "While we continued to experience ongoing disruption from Covid-19 during the half, Spark delivered strong revenue and profit growth, with a standout performance in mobile, a stabilisation in broadband, and continued business digitisation driving cloud adoption.

"We are pleased to see the strategic ambition Spark set back in 2020 coming to fruition, with future markets now making a significant contribution to revenue growth, and targeted investments in simple, digital customer experiences, data and artificial intelligence, and critical infrastructure differentiating Spark in the market.

"The Board and I are particularly pleased to see this growth driven by highly engaged people – with Spark achieving its highest employee engagement to date during the half.

"A number of infrastructure investments are progressing to plan and supporting future growth, and in the second half Spark intends to establish Spark TowerCo to improve the utilisation and capital efficiency of its passive mobile assets and open up opportunities to introduce third-party capital."

---

[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 Financial Statements
[3] Market share estimates sourced from IDC
[4] Revenues grew 51% including procurement

Spark expects to be around the top half of its FY22 EBITDAI guidance range of $1,130 million to $1,160 million and confirmed total FY22 dividend guidance of 25.0 cents per share, 100% imputed[5].

Reflecting on the half-year results and Spark's progress executing its three-year strategy, Spark CEO Jolie Hodson said: "Despite closed borders keeping roaming revenues suppressed, we delivered a market-leading mobile performance[3], underpinned by precision marketing and increasing customer demand for data, with 48% growth in our Endless plans year-on-year.

"We have stabilised our broadband connection base with the launch of a simpler broadband line-up and maintained margins in a highly competitive market with continued growth in wireless. We are building on this momentum with further competitive wireless broadband offers launched in the second half.

"While we saw continued growth in cloud, security, and service management revenues, it was lower than where we want it to be, with the shift in portfolio mix towards public cloud continuing to put pressure on pricing. Our service management growth trajectory was also impacted by access to client sites due to Covid, however our second half pipeline remains strong.

"As we execute our three-year strategy, it is pleasing to see our focus on building core capabilities delivering differentiation in the market. Our customer experiences are increasingly digital, and our simplification programme is progressing to plan. Precision marketing is delivering a 16% uplift in conversion, we are accelerating our shift from legacy to modern technology, and we are building a world-class culture.

"We are on track to deliver our overall FY23 future market revenue aspirations, and while Spark Sport's contribution will be lower than expected, it is offset by the strong growth we are experiencing in health and IoT.

"As New Zealand's healthcare sector digitises, Spark Health goes from strength to strength, and with our digital health platform 'Kete Waiora' targeting customer onboarding by the end of FY22, we expect this to continue. Spark IoT is also poised to continue its strong revenue and connection growth as customers look to utilise the power of technology to drive efficiency and grow their business.

"None of these results would be possible without the mahi of our people, and we remain focussed on investing in their learning and development, their wellbeing, and creating a place where all our people feel they belong."

Spark TowerCo subsidiary announced

During FY21 Spark conducted a review of its infrastructure portfolio, to focus effort and investment on its strategically important assets. Since that time Spark has announced an accelerated 5G rollout, delivering 90% population coverage by the end of 2023[6], a material upgrade of its Mayoral Drive Exchange to support multi-access edge compute capability, and a significant increase in capacity at its Takanini Datacentre – with up to 8MW now contracted and construction of a new data hall underway.

Today Spark announced plans to establish Spark TowerCo as a subsidiary company, to improve the performance, utilisation, and capital efficiency of its passive mobile assets – spanning ~1,500 mobile sites[7].

Hodson continued: "We can see globally that shared ownership models are an effective way of improving returns from infrastructure assets that are not critical to competitive advantage. In mobile, our active assets are what drives our competitiveness – including our core network and radio equipment. These assets leverage our spectrum holdings, provide differentiated customer experiences, and support our wireless aspirations.

"Our passive mobile assets, on the other hand, are the physical towers that support this active equipment. By separating these assets into a subsidiary model, we can improve utilisation through coverage expansion, future service innovation, and increased tenancy, while delivering efficiencies in build, maintenance, technology, and lease costs as we expand mobile coverage across Aotearoa."

[5] Subject to no adverse change in operating outlook
[6] Assuming spectrum is made available by the New Zealand Government
[7] Approximately 250 sites relate to outbound co-location on third party owned infrastructure (e.g., Rural Broadband Initiative (RBI) 1 sites)

Spark intends to commence a process in the second half of FY22 to explore the introduction of third-party capital into Spark TowerCo, however there is no certainty that a transaction will proceed.

“Should we choose to introduce third-party capital we will retain a shareholding and remain a key anchor tenant, with appropriate agreements in place on arms-length terms for operations and services. There will be no change for our customers, and we will continue to invest in modernising our mobile network and improving coverage for Aotearoa.”

Spark will provide more information on Spark TowerCo in the second half of FY22.

Authorised by:
Alastair White
GM Capital Markets

- ENDS –

Media queries:
Ellie Cross
Corporate Relations Lead Partner
+64 (0) 22 630 0665

Investor queries:
Chante Mueller
Head of Investor Relations
+64 (0) 27 469 3062

INTERIM FINANCIAL STATEMENTS

FY2022

Interim Financial Statements

For the six months ended 31 December 2021

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 2021.

Statement of profit or loss and other comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER

	NOTE	2021 UNAUDITED $M	RESTATED[1] 2020 UNAUDITED $M
Operating revenues and other gains		1,890	1,796
Operating expenses		(1,352)	(1,296)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	5	538	500
Finance income		14	17
Finance expense		(37)	(43)
Depreciation and amortisation		(257)	(262)
Net investment loss		(1)	-
Net earnings before income tax	4	257	212
Income tax expense		(78)	(65)
Net earnings for the period		**179**	**147**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of long-term investments designated at fair value through other comprehensive income		(3)	(51)
Items that may be reclassified to profit or loss:			
Change in hedge reserves net of tax		31	10
Other comprehensive income for the period		28	(41)
Total comprehensive income for the period		**207**	**106**
Earnings per share			
Basic and diluted earnings per share (cents)		9.6	8.0
Weighted average ordinary shares (millions)		1,868	1,844
Weighted average ordinary shares and options (millions)		1,870	1,846

See accompanying notes to the interim financial statements.

1 Restated due to implementation of the IFRS Interpretations Committee ('IFRIC') agenda decision, see notes 1 and 3.

Statement of financial position

	NOTES	AS AT 31 DECEMBER 2021 UNAUDITED $M	RESTATED[1] AS AT 30 JUNE 2021 UNAUDITED[2] $M
Current assets			
Cash		93	72
Short-term receivables and prepayments		751	768
Short-term derivative assets		3	12
Inventories		93	64
Total current assets		**940**	**916**
Non-current assets			
Long-term receivables and prepayments		217	271
Long-term derivative assets		5	24
Long-term investments	6	256	227
Right-of-use assets		620	647
Leased customer equipment assets		73	77
Property, plant and equipment		1,177	1,080
Intangible assets		862	858
Total non-current assets		**3,210**	**3,184**
Total assets		**4,150**	**4,100**
Current liabilities			
Short-term payables, accruals and provisions		537	479
Taxation payable		21	23
Short-term derivative liabilities		3	4
Short-term lease liabilities		66	60
Debt due within one year	7	283	373
Total current liabilities		**910**	**939**
Non-current liabilities			
Long-term payables, accruals and provisions		61	60
Long-term derivative liabilities		58	91
Long-term lease liabilities		382	406
Long-term debt	7	1,181	1,030
Deferred tax liabilities		81	82
Total non-current liabilities		**1,763**	**1,669**
Total liabilities		**2,673**	**2,608**
Equity			
Share capital		1,095	1,084
Reserves		(343)	(371)
Retained earnings		725	779
Total equity		**1,477**	**1,492**
Total liabilities and equity		**4,150**	**4,100**

See accompanying notes to the interim financial statements.

1 Restated due to implementation of the IFRIC agenda decision, see notes 1 and 3.

2 The balance as at 30 June 2021 was audited except for the restatements as disclosed in note 3 which are unaudited.

On behalf of the Board

Justine Smyth, Chair
Authorised for issue on 23 February 2022

Jolie Hodson, Chief Executive

Statement of changes in equity

SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED	SHARE CAPITAL $M	RETAINED EARNINGS $M	HEDGE RESERVES $M	SHARE-BASED COMPENSATION RESERVE $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	TOTAL $M
Balance at 1 July 2021 - RESTATED[1]	**1,084**	**779**	**(63)**	**3**	**(288)**	**(23)**	**1,492**
Net earnings for the period	–	179	–	–	–	–	179
Other comprehensive income/(loss)	–	–	31	–	(3)	–	28
Total comprehensive income/(loss) for the period	**-**	**179**	**31**	**-**	**(3)**	**-**	**207**
Contributions by, and distributions to, owners:							
Dividends	–	(233)	–	–	–	–	(233)
Supplementary dividends	–	(23)	–	–	–	–	(23)
Tax credit on supplementary dividends	–	23	–	–	–	–	23
Dividend reinvestment plan	8	–	–	–	–	–	8
Issuance of shares under share schemes	4	–	–	–	–	–	4
Other transfers	(1)	–	–	–	–	–	(1)
Total transactions with owners	**11**	**(233)**	**-**	**-**	**-**	**-**	**(222)**
Balance at 31 December 2021	**1,095**	**725**	**(32)**	**3**	**(291)**	**(23)**	**1,477**

SIX MONTHS ENDED 31 DECEMBER 2020 RESTATED[1] UNAUDITED	SHARE CAPITAL $M	RETAINED EARNINGS $M	HEDGE RESERVES $M	SHARE-BASED COMPENSATION RESERVE $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	TOTAL $M
Balance at 1 July 2020[2]	**949**	**870**	**(120)**	**2**	**(212)**	**(23)**	**1,466**
Net earnings for the period	–	147	–	–	–	–	147
Other comprehensive income/(loss)	–	–	10	–	(51)	–	(41)
Total comprehensive income/(loss) for the period	**-**	**147**	**10**	**-**	**(51)**	**-**	**106**
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**	**787**	**(110)**	**2**	**(263)**	**(23)**	**1,409**

See accompanying notes to the interim financial statements.

1 Restated due to implementation of the IFRIC agenda decision, see notes 1 and 3.

2 The retained earnings balance at 1 July 2020 has been restated by $19 million due to the reassessment of useful lives of reacquired rights, as reported as at 30 June 2021. This had no impact on financial performance for the year ended 30 June 2021.

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

	NOTE	2021 UNAUDITED $M	RESTATED[1] 2020 UNAUDITED $M
Cash flows from operating activities			
Receipts from customers		1,901	1,828
Receipts from interest		13	16
Payments to suppliers and employees		(1,327)	(1,321)
Payments for income tax		(93)	(118)
Payments for interest on debt		(23)	(23)
Payments for interest on leases		(10)	(16)
Payments for interest on leased customer equipment assets		(3)	(4)
Net cash flows from operating activities	8	**458**	**362**
Cash flows from investing activities			
Proceeds from sale of business		–	8
Proceeds from long-term investments		3	–
Receipts from finance leases		2	2
Payments for, and advances to, long-term investments		(39)	(4)
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum), and capacity		(216)	(212)
Payments for capitalised interest		(3)	(3)
Net cash flows from investing activities		**(253)**	**(209)**
Cash flows from financing activities			
Net proceeds from debt		99	100
Payments for dividends		(225)	(167)
Payments for leases		(33)	(20)
Payments for leased customer equipment assets		(25)	(16)
Net cash flows from financing activities		**(184)**	**(103)**
Net cash flow		21	50
Opening cash position		**72**	**53**
Closing cash position		**93**	**103**

See accompanying notes to the interim financial statements.

1 Restated due to implementation of the IFRIC agenda decision, see notes 1 and 3.

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 2021.

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*.

Except as amended following the implementation of the IFRIC decision outlined below, the accounting policies adopted are consistent with those followed in the preparation of Spark's annual financial statements for the year ended 30 June 2021. 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 2021 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2021. 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 2021, capital expenditure amounting to $350 million (31 December 2020: $223 million) had been committed under contractual arrangements.

Implementation of the IFRIC agenda decision

During the six months ended 31 December 2021, Spark revised its accounting policy in relation to configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements. This was in response to the IFRIC agenda decision, issued in April 2021, clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The IFRIC decision clarified that because SaaS arrangements are service contracts that provide Spark with the right to access the cloud provider's application software over the contract period, costs to configure or customise this software should be recognised as operating expenses when the services are received. Previously Spark had recorded these configuration and customisation costs as part of the cost of an intangible asset and amortised these costs over the useful life of the software assets. A summary of the impact of the change in accounting policy on Spark's interim financial statements is provided in note 3.

New and amended standards

Spark has adopted amendments issued for New Zealand equivalents to International Financial Reporting Standard ('NZ IFRS') 9 *Financial Instruments* and NZ IFRS 16 *Leases* that address issues arising from the reform of benchmark interest rates. These amendments have not had a material impact on the Group's financial statements.

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 2021:

Debt (see note 7)

- On 30 November 2021, Spark established three Sustainability-Linked Loans totalling $425 million. These consist of; converting an existing $200 million facility with Westpac New Zealand, to mature on 30 November 2023; establishing a new $100 million facility with Commonwealth Bank of Australia, to mature on 30 November 2024; and extending a $125 million facility with Mitsubishi UFG Financial Group Bank Limited, to mature on 30 November 2025.

Capital expenditure

- Spark's additions to property, plant and equipment (excluding property, plant and equipment transfers from finance lease receivables of $81 million) and intangible assets were $218 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 2021 in relation to the H2 FY21 second-half dividend (ordinary dividend of 12.5 cents per share) totalled $233 million or 12.5 cents per share, of this $8 million was settled through the dividend reinvestment plan.

Leases

- On 1 December 2021, Chorus exercised its right of renewal for the Spark exchange buildings lease. This resulted in a combination of lease renewals, lease relinquishments, a new operating lease and an annual price review. In exercising this right Chorus renewed some space and relinquished some space. As a result of these changes, Spark recognised an increase of $81 million in property, plant and equipment assets for the exchange space it has taken back control of from Chorus. This was offset by a reduction of $69 million in finance leases no longer receivable from Chorus and a gain of $12 million reported within other gains for the price increases over the remaining lease term.

Southern Cross Next Cable ('SX NEXT')

- During the six month period ended 31 December 2021, Spark contributed $37 million of equity to its Southern Cross investment to fund the SX NEXT undersea cable build. Subsequent to 31 December 2021 Spark contributed $7 million of additional equity.

Acquisitions

- On 22 December 2021, Spark announced that it will be acquiring the remaining 50% of its joint venture, Connect 8, a fibre network construction company. The transaction completed on 31 January 2022.

Notes to the interim financial statements

NOTE 3 Impact of change in accounting policy

As outlined in note 1, the impact of the change in Spark's accounting policy in relation to SaaS arrangements in response to the IFRIC agenda decision on the comparative financials statements is as follows:

	PREVIOUSLY REPORTED AUDITED $M	CHANGE IN ACCOUNTING POLICY UNAUDITED $M	RESTATED UNAUDITED $M
Statement of profit or loss and other comprehensive income			
SIX MONTHS ENDED 31 DECEMBER 2020			
Operating expenses	(1,294)	(2)	(1,296)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	502	(2)	500
Depreciation and amortisation	(263)	1	(262)
Net earnings before income tax	213	(1)	212
Net earnings for the period	**148**	**(1)**	**147**
Earnings per share			
Basic and diluted earnings per share	8.0	–	8.0
Statement of cashflows			
SIX MONTHS ENDED 31 DECEMBER 2020			
Payments to suppliers and employees	(1,319)	(2)	(1,321)
Net cash flows from operating activities	**364**	**(2)**	**362**
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum) and capacity	(214)	2	(212)
Net cash flows from investing activities	**(213)**	**2**	**(211)**
Statement of financial position			
OPENING AS AT 1 JULY 2020			
Intangible assets	843	(10)	833
Total assets	**4,358**	**(10)**	**4,348**
Deferred tax liabilities	61	(2)	59
Total liabilities	**2,884**	**(2)**	**2,882**
Retained earnings	878	(8)	870
Total liabilities and equity	**4,358**	**(10)**	**4,348**
AS AT 30 JUNE 2021			
Intangible assets	871	(13)	858
Total assets	**4,113**	**(13)**	**4,100**
Deferred tax liabilities	84	(2)	82
Total liabilities	**2,610**	**(2)**	**2,608**
Retained earnings	790	(11)	779
Total liabilities and equity	**4,113**	**(13)**	**4,100**

Notes to the interim financial statements

NOTE 3 Impact of change in accounting policy (continued)

Impact of change in accounting policy

The change in Spark's accounting policy in relation to SaaS arrangements in response to the IFRIC agenda decision has reduced EBITDAI, net earnings before tax, and total assets due to such expenses now being recognised as the services are received rather than capitalised as an intangible asset and amortised over the software asset's useful life.

There has been no net impact on Spark's statement of cashflows however it has resulted in the reclassification of the applicable costs incurred from investing to operating activities.

NOTE 4 Segment information

The segment results disclosed are based on those reported to the Chief Executive and are how Spark reviews its performance. Spark's segments are measured based on product margin, which includes product operating revenues and direct product costs. The segment result excludes other gains, labour, operating expenses, depreciation and amortisation, net investment income, finance income and expense and income tax expense, as these are assessed at an overall Group level by the Chief Executive.

Comparative segment results

As reported in H2 FY21, Spark reclassified the comparative segment results to reflect changes in the classification of CCL solutions and cloud-based telephony products and also a reclassification of some voice revenues to managed data, networks and services.

FOR THE SIX MONTHS ENDED 31 DECEMBER	2021			2020		
	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN
UNAUDITED	$M	$M	$M	$M	$M	$M
Mobile	678	(241)	437	651	(244)	407
Voice	146	(60)	86	154	(67)	87
Broadband	324	(158)	166	337	(171)	166
Cloud, security and service management	224	(48)	176	217	(38)	179
Procurement and partners	301	(275)	26	236	(216)	20
Managed data, networks and services	140	(75)	65	140	(68)	72
Other product[1]	61	(28)	33	57	(29)	28
Segment result	**1,874**	**(885)**	**989**	**1,792**	**(833)**	**959**

1 Other product includes revenue from Qrious, Internet of Things, Spark Sport and exchange building sharing arrangements.

Notes to the interim financial statements

NOTE 4 Segment information (continued)

Reconciliation from segment result to consolidated net earnings before income tax

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2021 $M	RESTATED 2020 $M
Segment product margin	989	959
Other gains	16	4
Labour	(263)	(256)
Other operating expenses		
Network support costs	(44)	(44)
Computer costs	(55)	(51)
Accommodation costs	(30)	(32)
Advertising, promotions and communication	(34)	(44)
Bad debts	(3)	1
Impairment expense	(2)	–
Other	(36)	(37)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	538	500
Finance income		
Finance lease interest income	6	6
Other interest income	8	11
Finance expense		
Finance expense on long-term debt	(23)	(21)
Capitalised interest	3	3
Other interest and finance expenses	(4)	(6)
Lease interest expense	(10)	(15)
Leased customer equipment interest expense	(3)	(4)
Depreciation and amortisation expense		
Depreciation - property, plant and equipment	(116)	(124)
Depreciation - right-of-use assets	(40)	(35)
Depreciation - leased customer equipment assets	(18)	(19)
Amortisation of intangibles	(83)	(84)
Net investment loss		
Share of associates' and joint ventures' net losses	(1)	–
Net earnings before income tax	**257**	**212**

Notes to the interim financial statements

NOTE 5 Non-GAAP measures

Spark uses non-GAAP financial measures that are not prepared in accordance with NZ IFRS. 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 gains, expenses and impairments) individually greater than $25 million. There are no adjusting items for the six months ended 31 December 2021 or 31 December 2020.

Earnings before finance expense and income, income tax, depreciation, amortisation and net investment income (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 any 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 UNAUDITED	2021 $M	RESTATED 2020 $M
Net earnings for the period reported under NZ IFRS	179	147
Less: finance income	(14)	(17)
Add back: finance expense	37	43
Add back: depreciation and amortisation	257	262
Add back: net investment loss	1	–
Add back: income tax expense	78	65
EBITDAI	**538**	**500**

Notes to the interim financial statements

NOTE 6 Long-term investments

	Measurement basis	AS AT 31 DECEMBER 2021 UNAUDITED $M	AS AT 30 JUNE 2021 AUDITED $M
Shares in Hutchison	Fair value through other comprehensive income	157	160
Investment in associates and joint ventures	Equity method	93	59
Other long-term investments	Cost	6	8
		256	**227**

Spark holds a 10% interest in Hutchison Telecommunications Australia Limited (Hutchison) which is quoted on the Australian Securities Exchange (ASX) and its fair value is measured using the observable bid share price as quoted on the ASX, classified as being within Level 1 of the fair value hierarchy. As at 31 December 2021 the quoted price of Hutchison's shares on the ASX was AUD$0.110 (30 June 2021: AUD$0.110). The decrease in fair value of $3 million, as a result of changes in foreign exchange rate, has been recognised in other comprehensive income (30 June 2021: $87 million decrease).

Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 31 December 2021 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
Pacific Carriage Holdings Limited Inc	Associate	United States	40%	A holding company
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	40%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

Spark sold its remaining investment in PropertyNZ Limited (homes.co.nz) on 1 September 2021.

Notes to the interim financial statements

NOTE 7 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT 31 DECEMBER 2021 UNAUDITED $M	AS AT 30 JUNE 2021 AUDITED $M
Short-term debt					
Short-term borrowings		Variable	< 1 month	28	3
Commercial paper		Variable	< 3 months	138	155
				166	158
Supplier financing arrangements[1]					
Amounts due within one year		Variable	< 3 years	16	14
Amounts due in more than a year		Variable	< 3 years	14	18
				30	32
Bank funding					
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	–	100
Mitsubishi UFG Financial Group Bank Limited	125 million NZD	Variable	30/11/2022	–	60
Westpac New Zealand Limited[2]	200 million NZD	Variable	30/11/2023	25	–
Commonwealth Bank of Australia[2]	100 million NZD	Variable	30/11/2024	100	–
Mitsubishi UFG Financial Group Bank Limited[2]	125 million NZD	Variable	30/11/2025	125	–
				250	160
Domestic notes					
100 million NZD		4.50%	25/03/2022	101	101
100 million NZD		4.51%	10/03/2023	102	104
125 million NZD		3.37%	07/03/2024	125	130
125 million NZD		3.94%	07/09/2026	124	131
				452	466
Foreign currency Medium Term Notes					
Australian Medium Term Notes – 100 million AUD		1.90%	05/06/2026	102	106
Australian Medium Term Notes – 150 million AUD		4.00%	20/10/2027	169	177
Australian Medium Term Notes – 125 million AUD		2.60%	18/03/2030	127	132
Norwegian Medium Term Notes – 1 billion NOK[3]		3.07%	19/03/2029	168	172
				566	587
				1,464	**1,403**
Debt due within one year				283	373
Long-term debt				1,181	1,030

1 Supplier financing arrangements relate to amounts payable to suppliers on extended payment terms and are therefore considered as debt. Amounts paid under these arrangements are presented in the statement of cashflows within financing activities.
2 These facilities are Sustainability-Linked Loans. Spark will receive lower interest rates if it achieves sustainability targets and higher rates on the loans if it falls short of these targets.
3 Norwegian krone

There have been no changes in Spark's short-term financing programmes or stand-by facilities since 30 June 2021. Changes in long-term financing are disclosed in note 2 page 8 of these interim financial statements.

Notes to the interim financial statements

NOTE 7 Debt (continued)

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was $1,325 million compared to a carrying value of $1,298 million as at 31 December 2021 (30 June 2021: fair value of $1,270 million compared to a carrying value of $1,245 million).

	AS AT 31 DECEMBER 2021 UNAUDITED $M	AS AT 30 JUNE 2021 AUDITED $M
Total debt	1,464	1,403
Less short-term debt	(166)	(158)
Total long-term debt (including long-term debt due within one year)	**1,298**	**1,245**

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 2021 UNAUDITED $M	AS AT 30 JUNE 2021 AUDITED $M
Cash	(93)	(72)
Short-term debt at face value	166	158
Long-term debt at face value	1,298	1,212
Net debt at face value	**1,371**	**1,298**
To retranslate debt balances at swap rates where hedged by currency swaps	9	5
Net debt at hedged rates[1]	**1,380**	**1,303**
Non-cash adjustments		
Impact of fair value hedge adjustments[2]	11	12
Unamortised discount	(1)	(2)
Net debt at carrying value	**1,390**	**1,313**

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

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

Notes to the interim financial statements

NOTE 8 Reconciliation of net earnings to net cash flows from operating activities

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2021 $M	RESTATED 2020 $M
Net earnings for the period	179	147
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	257	262
Bad and doubtful accounts	5	1
Deferred income tax	(14)	(11)
Share of associates' and joint ventures' net losses	1	–
Impairments	2	–
Other gains	(16)	(4)
Other	–	1
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	(16)	24
Movement in inventories	(29)	12
Movement in current taxation	1	(41)
Movement in payables and related items	88	(29)
Net cash flows from operating activities	**458**	**362**

Notes to the interim financial statements

NOTE 9 Dividends

On 23 February 2022, the Board approved the payment of a first half ordinary dividend of 12.5 cents per share or approximately $234 million. The dividend will be 100% imputed in line with the corporate income tax rate. In addition, supplementary dividends totalling approximately $23 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 FY22 ORDINARY DIVIDENDS
Dividends declared	
Ordinary shares	12.5 cents
American Depositary Shares [1]	41.81 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	24/03/22
Australian Securities Exchange	24/03/22
American Depositary Shares	24/03/22
Record dates	
New Zealand Stock Exchange	25/03/22
Australian Securities Exchange	25/03/22
American Depositary Shares	25/03/22
Payment dates	
New Zealand and Australia	8/04/22
American Depositary Shares	18/04/22

1 Spark's American Depositary Shares, each representing five ordinary Spark shares and evidenced by American Depositary Receipts (ADRs), are traded over-the-counter in the United States. This is a Level 1 ADR programme that is sponsored by Bank of New York Mellon. For H1 FY22, these are based on the exchange rate at 17 February 2022 of NZ$1 to US$0.6689 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 Company has a dividend reinvestment plan under which shareholders can elect to receive dividends in additional shares. For the six months 31 December 2021 shares with a total value of $8 million (31 December 2020: $63 million) were issued in lieu of dividends. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows.

The dividend reinvestment plan has been retained for the H1 FY22 dividend. Shares issued under the dividend reinvestment plan will be issued at the prevailing market price around the time of issue. The last date for shareholders to elect to participate in the dividend reinvestment plan for the H1 FY22 dividend is 28 March 2022.

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

Deloitte.

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 2021, 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 17.

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 2021 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 relation to the regulatory audit, other assurance related services (such as trustee reporting), taxation advisory and compliance services and non-assurance services provided to the Corporate Taxpayer Group. 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

23 February 2022

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 30, PWC Tower
PO Box 91976
15 Customs Street West
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.mybnymdr.com

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

investors.sparknz.co.nz

ARBN 050 611 277

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 2021	
Previous Reporting Period	6 months to 31 December 2020	
Currency	NZD - New Zealand Dollar	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	NZD$1,890,000	5.2%
Total Revenue	NZD$1,890,000	5.2%
Net profit/(loss) from continuing operations	NZD$179,000	21.8%
Total net profit/(loss)	NZD$179,000	21.8%
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	25 March 2022	
Dividend Payment Date	8 April 2022	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	As at 31 December 2021: NZD$0.33	As at 31 December 2020: NZD$0.29
A brief explanation of any of the figures above necessary to enable the figures to be understood	Movements from the prior period are compared to restated amounts for H1 FY21 following: - the reassessment of useful lives of reacquired rights and the reclassification of work in progress, as reported at 30 June 2021; and - Spark's change in accounting policy in relation to configuration and customisation costs incurred in implementing Software as a Service ('SaaS') cloud computing arrangements. This was in response to the International Financial Reporting Standards Interpretations Committee ('IFRIC') agenda decision, issued in April 2021. 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	Chante Mueller, Head of Investor Relations
Contact phone number	+64 (0) 27 469 3062
Contact email address	investor-info@spark.co.nz
Date of release through MAP	23 February 2022

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$538,000	7.6%

Spark nz

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	25 March 2022			
Ex-Date (one business day before the Record Date)	24 March 2022			
Payment date (and allotment date for DRP)	8 April 2022 AUST & NZ; 18 April 2022 USA			
Total monies associated with the distribution	NZD$233,677,933 (1,869,423,460 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)	0%	
Start date and end date for determining market price for DRP	24 March 2022	30 March 2022
Date strike price to be announced (if not available at this time)	31 March 2022	
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	28 March 2022	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Stefan Knight, Finance Director (CFO)	
Contact person for this announcement	Chante Mueller, Head of Investor Relations	
Contact phone number	+64 (0) 27 469 3062	
Contact email address	investor-info@spark.co.nz	
Date of release through MAP	23 February 2022	

Spark New Zealand

H1 FY22 Results Summary

Jolie Hodson, Chief Executive Officer
Stefan Knight, Finance Director

Results overview

H1 FY22 Results Summary

- Strong first half performance with revenue, EBITDAI, and NPAT in growth.
- Standout performance in mobile, with Endless plans and precision marketing delivering the highest connection growth in the market[(1)], and increasing consumer demand for data driving ARPU growth.
- Successful launch of simplified broadband plans stabilising base at 702k connections, while wireless broadband (WBB) growth maintained gross margins. Refreshed WBB plans launched into market in H2 to maintain momentum behind wireless strategy.
- Accelerated 5G rollout progressing to plan, with 10 additional locations supporting future growth in mobile and WBB. Government agreement with Māori on spectrum allocation to pave the way for C-band spectrum auction.
- Cloud growth driven by demand for public cloud, and growth in the health sector. Service management growth trajectory impacted by access to client sites, however pipeline remains strong.
- Momentum building in Future Markets in support of long-term growth. Strong revenue growth in the half across Spark Health, Spark Sport, and Spark IoT.
- Material upgrade of Mayoral Drive exchange and construction of new data hall at Takanini Datacentre underway with up to 8MW of capacity already contracted. Multi-year investment supporting future cloud growth and development of multi-access edge compute capability.
- Establishment of Spark TowerCo to drive improved performance, utilisation, and capital efficiency of Spark's passive mobile assets, including ~1,500[(2)] mobile sites. Intend to commence a process in the second half to explore the introduction of third-party capital.
- Continued improvement of ESG performance and progress on inclusivity – Skinny Jump connections up more than 5k, ethnicity data capture among our people up 12pp, and Beyond Binary Code launched since conclusion of the half.
- Confirmed total FY22 dividend guidance of 25.0cps (100% imputed), supported by first half free cash flow of $183m.

[(1)] Market share estimates sourced from IDC
[(2)] Approximately 250 sites relate to outbound co-location on third party owned infrastructure (e.g. Rural Broadband Initiative (RBI) 1 sites)

H1 FY22 Financial Snapshot

Focussed execution against 2023 strategy driving growth and strong operational and financial performance

$1,890m

REVENUE[1]

5.2% increase vs. H1 FY21

$538m

EBITDAI[2]

7.6% increase vs. H1 FY21[3]

$179m

NPAT

21.8% increase vs. H1 FY21[3]

$218m

CAPEX

14.7% increase vs. H1 FY21[3]

$183m

FREE CASH FLOW

61.9% increase vs. H1 FY21[3]

12.5c

H1FY22 DIVIDEND

Total FY22 Dividend Guidance confirmed at 25.0cps

[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] Adjusted for the impact of cloud accounting standards change

H1 FY22 Established Market Performance

$441m MOBILE SERVICE REVENUE	$324m BROADBAND REVENUE	$224m CLOUD, SECURITY, & SERVICE MANAGEMENT
5.0% increase vs. H1 FY21	(3.9%) decrease vs. H1 FY21	3.2% increase vs. H1 FY21
#1 Mobile Service Revenue[1]	**#1 Broadband[1]**	**#1 Hybrid Cloud[2]**
Fastest growing NZ mobile provider by connections and revenues[1]	Successful launch of simplified broadband plans resulting in stabilisation of base, closing the half at 702k connections	Public cloud growth continues driven by strong customer demand. Private cloud growth in health sector being offset by portfolio re-price
Growth in ARPU underpinned by customer demand for data with 48% YoY growth in Endless plans	Revenue impacted by competitive market pressures	Growth momentum in service management expected to increase in H2 with delayed transformation projects recommencing and strength of pipeline
Gross margin expansion of (2pp) due to strong YoY growth in service revenue and focus on product cost efficiencies through simplification	Gross margin maintained as benefits of wireless broadband growth offset higher fibre input costs	Demand for collaboration products and services in support of flexible working continues to increase, with revenue up $5m or 15.2% YoY[3]

[1] Market share estimates sourced from IDC. Broadband market share estimate by revenue and connections
[2] Spark's estimate based on independent market share data
[3] Collaboration revenues reported in managed data, network and services

Strategy update

Strategic Update: World Class Capabilities and Culture

Core capabilities fuelling growth in established and future markets while delivering clear customer, financial, and operational benefits

	FY23 Aspiration Revenue[1]	FY23 Aspiration Cost efficiencies[1]	FY23 Aspirations Operational	H1 FY22 Highlights
Simple Intuitive Customer Experiences	**~$30m-$40m On Track**	**~$40m-$50m Solid Progress**	**On Track**	• Digital interface pilot allowing frontline team and customers to interact using the same journeys - improving speed of resolution and customer experience • Simplification programme continues with removal of a further 38 legacy mobile and broadband plans and 66k customers migrated onto new 'right sized' plans in the half • In-App home WiFi and broadband checker capability now live with over 17k customers using self-diagnosis tool
Deep Customer Insights			**On Track**	• Increased coverage of household view to ~88% of New Zealand households - improving our ability to understand and serve the needs of Kiwis • 29 machine learning models, enabling highly targeted marketing campaigns resulting in a 16% uplift in precision marketing conversion • Return on marketing investment continues with YoY improvement in marketing efficiency of 16%
Smart Automated Network		**~$55m-$65m Solid Progress**	**On Track**	• Accelerated 5G rollout progressing with 10 additional locations and on track to upgrade ~50% of sites nationally by the end of calendar year 2022 • Optical Transport Network 2.0 project now over 50% complete, supporting pathway towards unconstrained core network capacity • Accelerating copper PSTN decommissioning – targeting ~50 switches by end of FY22 and reducing reliance on grandfathered technology
Growth Mindsets			**On Track**	• Highest people engagement achieved during half • Leadership and development programme fostering innovation and growth mindsets capabilities across the business • Increase in ethnicity data collection to support targeted initiatives to improve ethnic representation • Launched Mahi Tahi Wellbeing Framework to support our people and productivity • Developed Te Ao Māori learning modules to uplift Tikanga Māori capability internally

Revenue aspirations and cost efficiencies reflect the gross benefits of executing the 3-year strategy. However, total revenues will be impacted by market pressures, revenue declines in legacy products and cost-in to support growth, also some cost efficiencies may be re-invested. Therefore not all the value created will be captured by shareholders

[1] Aspiration represents FY23 in year revenues and cost efficiencies

Strategic Update: Future Markets

Momentum building in support of long-term growth – on track for overall FY23 revenue aspirations

IoT

- **IoT revenue and connection growth:** strong growth across metering, transport, emergency services, smart environments, and asset management, ending half with YoY connection growth of 31% to 623k connections
- **Enhanced Spark's IoT bridge platform for smart environments monitoring:** including temperature, humidity, occupancy and power usage, with key trial customer fully onboarded and additional customers contracted
- **Sector product development:** full partner re-seller model launched with Adroit in water, soil, and air quality solutions – now one of Spark IoT's fastest growing IoT solutions

Digital Health

- **Strong Spark Health revenue growth:** up 51% YoY (25% excl procurement), driven by continued growth in cloud and health customers who are digitally transforming and COVID-19 Response
- **Introduced Digital Health Platform 'Kete Waiora':** via national virtual roadshow, and one of New Zealand's largest primary health organisations completing proof of concept assessment. Focus on onboarding vendors and customers by end of FY22
- **Supporting the digitisation of healthcare in Aotearoa:** Spark Health won the first national contract for digital services under the newly established Health New Zealand, and MATTR supported the Ministry of Health's creation of the domestic My Vaccine Pass, the international vaccination certificates, and the software supporting the Verification App

Sport

- **H1 Revenue grew:** despite sporting calendar being significantly impacted by COVID-19. Now entering second summer of cricket delivery
- **Future revenue growth:** likely to be slower than originally expected. Considering impact of loss of Premier League
- **Partnerships:** accelerating strategic partnering options to drive improved returns

Strategic Update: Sustainability

Environment

- Following the Science-Based Target Initiative's (SBTi) verification of Spark's emissions reduction target, the reduction requirements have been embedded into Spark's new electricity purchasing agreement
- Published independently assured Greenhouse Gas Inventory Report and are now designing and implementing an emissions reduction and energy efficiency plan

Social

- Continued to bridge the digital divide, connecting an additional ~5k households to Skinny Jump – with a total of ~20k households now benefiting from subsidised broadband
- Continue to champion inclusivity within Spark and Aotearoa. Have increased internal ethnicity data capture (up 12pp to date) to support ethnic diversity initiatives, and this week launched the Beyond Binary Code – a free tool that can be used by businesses to improve gender representation and data collection online and create more inclusive spaces for all New Zealanders

Governance

- In November established Spark's inaugural Sustainability Linked Loans (SLL) by refinancing three existing loans totalling NZ$425 million. The SLL's are tied to progress against Spark's emissions reduction target and 40:40:20 gender diversity target
- A key focus in FY22 is strengthening supply chain risk management processes and aligning assessment and audit processes with global industry peers
- In the process of formalising Spark's commitment to upholding human rights with the development of a Human Rights Policy and will publish a Modern Slavery Framework in Spark's FY22 Modern Slavery Statement, to provide further transparency over how these risks are managed within the supply chain

FY22 indicators of success

Strategic Pillar	Focus Area	Measure	Target 30 June 2022	Status
World class capability	Customer experience	Consumer and small business iNPS	+6 point lift	On Track
	Data driven insights	Uplift in data driven marketing campaign conversion[1]	15%	On Track
	Smart automated networks	Accelerate 5G	10-15 locations[2]	Exceeding
	Growth mindsets	eNPS	+70	Exceeding
Grow established markets	Wireless	Mobile service revenue growth	2-4%	Exceeding
	Broadband	Wireless broadband connections	+15-20k	On Track
	Cloud	Cloud, security and service management revenue growth	5-8%	Improvement Needed
Accelerate future markets	IoT	Growth in number of connected IoT devices	+300k	On Track
	Spark Health	Growth in Spark Health revenues	8-10%	Exceeding
		Successful launch of Digital Health Platform	5 DHP customers onboarded	Improvement Needed
Lowest cost provider	Deliver best cost	EBITDAI margin	31%	On Track
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k	On Track
	Sustainable Spark	Establish emissions reduction programme	30 June 2022	On Track

(1) Spark consumer base
(2) This includes a mix of new locations and existing locations where our 5G footprint will be expanded

Infrastructure Assets – Portfolio Management

Infrastructure asset portfolio update

Investments progressing against three classes of infrastructure assets identified in FY21.

INVEST & GROW

IMPORTANT FOR COMPETITIVE ADVANTAGE AND RESILIENCE

- Active mobile
- Critical network exchanges
- Datacentre capacity
- Multi-access edge compute

Critical network investments that will support future growth in mobile, WBB, and cloud:

- Accelerated 5G rollout: progressing to plan, with ~50% sites to be upgraded by end 2022
- Takanini Datacentre capacity expansion: up to 8MW now contracted and new data hall construction underway
- Mayoral Drive Exchange upgrade: commenced to create a strategically valuable point of interconnect and develop multi-access edge compute capability

OPTIMISE INVESTMENT

ASSETS THAT ARE IMPORTANT FOR NETWORK RESILIENCE

- Regional and local network exchanges
- Sub-sea cables
- Spark's satellite station

Investing in international capacity to keep NZ connected to the world:

- SX Next build project: on track despite COVID-19 disruption with go live scheduled mid-2022, triggering Southern Cross' customer billing and revenue stream. Final equity contributions expected to be paid in April 2022
- Southern Cross dividends: remain suspended and are not expected to resume until at least FY23

SHARED OWNERSHIP MODELS

ASSETS THAT CAN BE SHARED

- Passive mobile
- Fibre

Plan to establish Spark TowerCo as a subsidiary company, to improve the performance, utilisation, and capital efficiency of Spark's passive mobile assets

Spark TowerCo – Strategic review update

STRATEGIC REVIEW UPDATE

- Spark plans to transfer its passive mobile tower assets into a separate subsidiary, Spark TowerCo
- Spark's active mobile assets drive competitiveness – including the core network and radio equipment. Passive mobile assets include the physical towers that support this active equipment, and are generally not a source of differentiation in the market
- Separating these assets into a subsidiary model will improve this utilisation through increased tenancy, while delivering cost efficiencies as Spark expands coverage across Aotearoa
- There will be no change for our customers, and we will continue to invest in modernising our mobile network and improving coverage for Aotearoa

EXPLORING THE INTRODUCTION OF THIRD PARTY CAPITAL

- Spark intends to commence a process in H2 FY22 to explore the introduction of third party capital into Spark TowerCo
- If third party capital is introduced, Spark intends to retain a shareholding and will be a key anchor tenant, with appropriate agreements in place on arms-length terms for operations and services
- No decision has been made to introduce third party capital and there is no certainty that a transaction will proceed. The process is expected to take a number of months and we will update the market at the conclusion of this process

Spark TowerCo – Business snapshot

SPARK TOWERCO ASSET SCOPE

- Spark TowerCo will:
  - Manage a significant portfolio of critical infrastructure assets, and own the passive infrastructure associated with ~1,250 of these sites
  - Provide passive equipment facilities such as power and will hold some freehold property sites
  - Deliver a significant build-to-suit ("BTS") program for Spark to support its network expansion and densification requirements – with demand for data and expanding WBB base expected to drive tower growth

SPARK TOWERCO KEY HIGHLIGHTS

- Well positioned to:
  - Improve asset utilisation through, coverage expansion, future service innovation and increased tenancy
  - Achieve efficiencies in build, maintenance, technology, and lease costs
  - Support Spark's network densification objectives driven by increasing mobile data use and Spark's wireless broadband objectives
  - Maintain safety and reliability of tower assets

SPARK TOWERCO ASSET STRUCTURE

~1,500[1] mobile sites with a tenancy ratio of 1.07

~70% macro towers | **~15% on buildings** | **~15% on light poles**

Power (incl. battery) | **Land rights and selected freehold sites**

53% urban
15% regional
32% rural

[1] Approximately 250 sites relate to outbound co-location on third party owned infrastructure (e.g. Rural Broadband Initiative (RBI) 1 sites)

Summary

Benefits of three-year strategy flowing through to better customer outcomes and market differentiation

Strong momentum in established markets

Future markets making a significant contribution to overall revenue growth

Strategic infrastructure investments supporting future growth, while Spark TowerCo will improve utilisation and efficiency of passive mobile

Growth underpinned by long-term focus on ESG outcomes and building a high-performance culture

Financials

H1 FY22 Financial Performance Summary

Revenue, EBTIDAI and NPAT in growth generating free cash flow to support sustainable dividend

$94m
REVENUE GROWTH
5.2% increase vs. H1 FY21

$56m
OPEX GROWTH
4.3% increase vs. H1 FY21[1]

$38m
EBITDAI GROWTH
7.6% increase vs. H1 FY21[1]

$32m
NPAT GROWTH
21.8% increase vs. H1 FY21[1]

$70m
FREE CASH FLOW[1] GROWTH
H1 FY22 Free Cash Flow $183m

12.5c
H1 FY22 DIVIDEND
H1 FY22 dividend 100% imputed

Top line revenue of $1,890m in growth driven by:

- market leading[2] performance in mobile service revenue;
- high procurement software licencing volumes; and
- momentum in future markets

Revenue growth includes cycling of non-recurring wire maintenance reparation reported in H1 FY21

Operating expenses of $1,352 up 4.3% YoY, with benefits of cost out reinvested in support of growth

Reported EBTIDAI of $538m up 7.6% YoY and tracking around the top half of guidance range

NPAT improved 21.8% as a result of:

- reduction in finance expense due to lower debt and lease liability interest;
- lower depreciation due to an increase in value of assets that were fully depreciated in FY21; partially offset by
- Increase in tax expense in line with earnings growth

Delivered free cash flow of $183m with cash conversion of 110%

Reported net debt to EBITDAI ratio within Spark's internal threshold of 1.4x

Total FY22 dividend of 25.0cps confirmed in line with guidance

The Dividend Reinvestment Plan (DRP) has been retained with the H1 FY22 dividend at a zero discount[3]

[1]Adjusted for the impact of cloud accounting standards change
[2]Market share estimates sourced from IDC
[3]Dividend Reinvestment Plan (DRP) has been retained for the H1 FY22 dividend. Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue(2)

Financials

	H1 FY21[1] $m	H1 FY22 $m	CHANGE
Operating revenues and other gains	1,796	1,890	5.2%
Operating expenses	(1,296)	(1,352)	4.3%
EBITDAI	500	538	7.6%
Finance income	17	14	(17.6%)
Finance expense	(43)	(37)	14.0%
Depreciation and amortisation	(262)	(257)	1.9%
Net investment income	-	(1)	NM
Net earnings before tax expense	212	257	21.2%
Tax expense	(65)	(78)	(20.0%)
Net earnings after tax expense	147	179	21.8%
Capital expenditure[2]	190	218	
Free cash flow	113	183	
EBITDAI margin	27.8%	28.5%	
Effective tax rate	30.7%	30.4%	
Capital expenditure to operating revenues	10.6%	11.5%	
Earnings per Share	8.0	9.6	
Total Dividend per Share	12.5c	12.5c	

[1]Adjusted for the impact of cloud accounting standards change
[2]Excluding expenditure on mobile spectrum

H1 FY22 Operational Performance Summary

Solid first half financial performance – tracking around the top half of FY22 guidance

$1,890m
REVENUE
5.2% increase vs. H1 FY21[1]

- Secured ~60% of total market mobile service revenue growth[2], up $21m or 5.0% YoY
- Total cloud, security and service management growth of $7m or 3.2% with cloud growth reflecting ongoing shift towards public cloud. Service management growth impacted by site access restrictions due to COVID-19
- Strong growth in procurement revenue primarily driven by national health software licence contract
- Growth in other operating revenue includes Spark Sport, Spark IoT and Qrious
- Broadband revenue decline due to competitive market intensity with refreshed plans stabilising connection base; and
- Lower rate of voice revenue decline due to non-recurring H1 FY21 wire maintenance charges (underlying decline of ~15% in line with previous trends)

$1,352m
OPERATING EXPENSES
4.3% increase vs. H1 FY21[1]

- Operating expenses up YoY, however, excluding procurement are broadly flat
- Disciplined focus on cost-out continues with gross cost out benefits reinvested in support of scaling future market businesses
- Increase in product costs driven by higher procurement volumes and growth in cloud and collaboration
- Reduction in other operating expenses driven by precision marketing savings partially offset by a return to normal levels of bad debt expense due to COVID-19 provision reversal in prior year
- Increase in net labour costs due to investment in future market businesses and talent scarcity
- Targeting further cost reductions in H2 to provide flexibility and optionality

$538m
EBITDAI
7.6% increase vs. H1 FY21[1]

- EBITDAI up $38m or 7.6% YoY reflecting targeted return to revenue growth
- Prior period includes $17m of non-recurring wire maintenance reparations. Other one off items are broadly consistent across the periods
- During H2 there will continue to be reinvestment in support of revenue growth
- EBITDAI margin of 28.5% and on track to achieve annual aspiration of 31%

[1] Adjusted for the impact of cloud accounting standards change
[2] Market share estimates sourced from IDC

H1 FY22 Capital investment and free cash flow

$218m

CAPEX[1]

14.7% increase vs. H1 FY21[2]

- Phasing of capital investment in line with prior year with 55% of spend incurred in H1 FY22
- Uplift in mobile RAN investment in support of accelerated 5G rollout
- Increased investment in IT systems in support of:
  - Spark ERP system replacement;
  - End of life IT infrastructure refresh; and
  - Deep customer insight capability to unlock further data driven marketing opportunities
- Prioritised capital investment plan in line with guidance of ~$400m

$183m

FREE CASH FLOW

61.9% increase vs. H1 FY21[2]

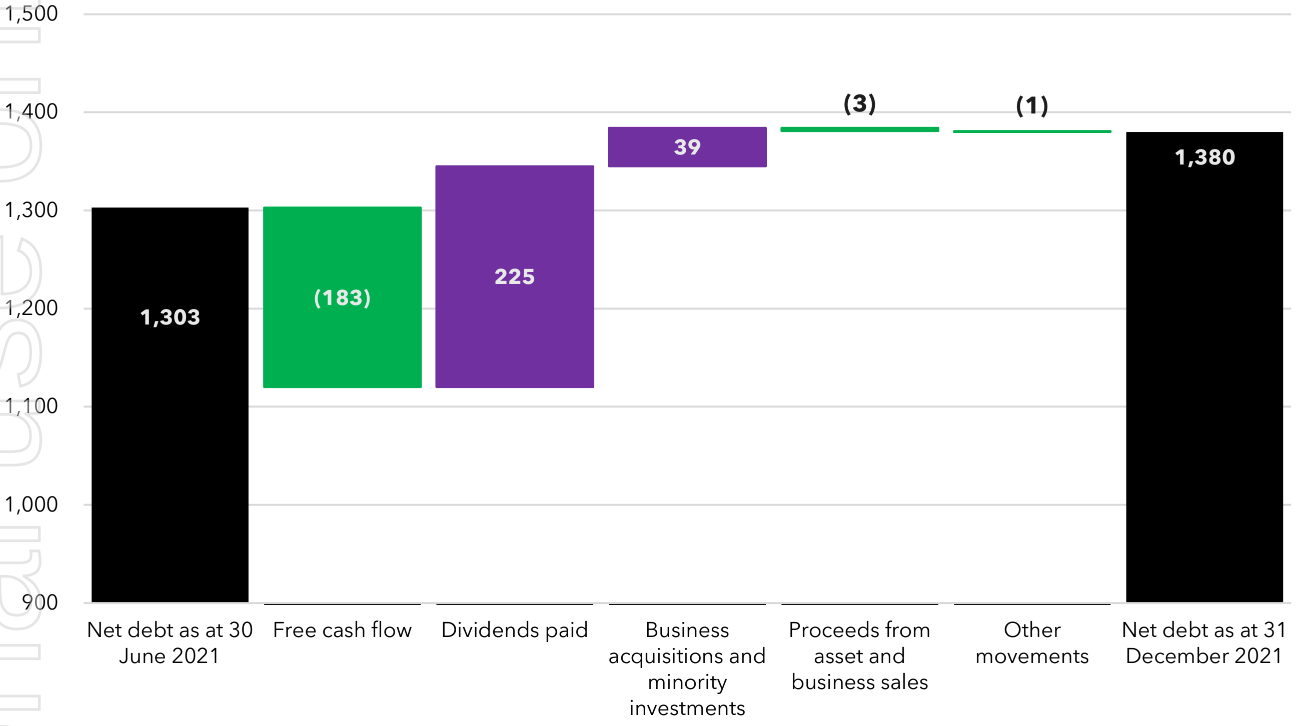
- Free cash flow up $70m YoY driven by improvement in working capital, EBITDAI growth and lower tax
- Improvement in working capital includes:
  - timing of software license payments with revenue collected in H1 FY22 and payment due in H2 FY22; and offset by
  - additional inventory and prepayments to mitigate against supply chain disruption
- H2 FY22 free cash flow growth expected to be driven by EBITDAI growth and capital expenditure in line with plan
- On track to achieve FY22 free cash flow aspiration of $420m-$460m sufficient to fund FY22 dividend of 25.0cps

(1)Excluding expenditure on mobile spectrum
(2)Adjusted for the impact of cloud accounting standards change

Net Debt

Reported net debt up $77m, including long-term investments in SX Next and rural connectivity

Movement in net debt during H1 FY22 ($m)



- Reported net debt to EBITDAI ratio of 1.2x[1] consistent with S&P A- credit rating
- Sufficient debt headroom to execute strategy and fund strategic investments
- Established three Sustainability-Linked Loans totalling NZ$425 million in the half further demonstrating commitment to sustainability

[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

Guidance[1]

	FY21 Actual[2]	FY22 Guidance
EBITDAI	$1,119m	$1,130m-$1,160m Expected to be around top half of range
Capital expenditure[3]	$349m	~$400m
Dividend per share	Total 25.0cps (100% imputed)	Total 25.0cps[4] (100% imputed)

[1] Subject to no adverse change in operating outlook
[2] Adjusted for the impact of cloud accounting standards change
[3] Excluding expenditure on mobile spectrum
[4] Dividend Reinvestment Plan (DRP) has been retained for the H1 FY22 dividend. Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue

REPORTING DATE CHANGE

Spark nz

FY22 Results

Wednesday 24 August 2022
10.00am

Appendix

Cloud accounting standards changes

Cloud Accounting Standards Changes

Implementation of the IFRS interpretations Committee (IFRIC) agenda decision

During the six months ended 31 December 2021, Spark revised its accounting policy in relation to configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements. This was in response to the IFRIC agenda decision, issued in April 2021, clarifying its interpretation of how current accounting standards apply to these types of arrangements. The IFRIC decision clarified that because SaaS arrangements are service contracts that provide Spark with the right to access the cloud provider's application software over the contract period, costs to configure or customise this software should be recognised as operating expenses when the services are received.

Spark had previously recorded these configuration and customisation costs as part of the cost of an intangible asset and amortised these costs over the useful life of the software assets. A summary of the impact of the change in accounting policy on Spark's historical statement of profit or losses provided below. Further detail is provided in note 3 of the interim financial statements.

Adjustments	**H1 FY20**	**H2 FY20**	**H1 FY21**	**H2 FY21**	**FY20**	**FY21**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Operating revenues and other gains						
Operating expenses	(3)	(3)	(2)	(3)	(6)	(5)
EBITDAI	**(3)**	**(3)**	**(2)**	**(3)**	**(6)**	**(5)**
Finance income						
Finance expense						
Depreciation and amortisation expense	1	-	1	1	1	2
Net investment income						
Net earnings before income tax	**(2)**	**(3)**	**(1)**	**(2)**	**(5)**	**(3)**
Tax expense	-	1	-	-	1	-
Net earnings for the period	**(2)**	**(2)**	**(1)**	**(2)**	**(4)**	**(3)**

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 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
	$m	$m	$m	$m	$m	$m	$m	$m	%
Operating revenues and other gains	1,824	1,799	1,796	1,797	1,890	1,796	1,890	94	5.2%
Operating expenses	(1,327)	(1,189)	(1,296)	(1,178)	(1,352)	(1,296)	(1,352)	(56)	(4.3%)
EBITDAI	**497**	**610**	**500**	**619**	**538**	**500**	**538**	**38**	**7.6%**
Finance income	18	18	17	17	14	17	14	(3)	(17.6%)
Finance expense	(46)	(48)	(43)	(38)	(37)	(43)	(37)	6	14.0%
Depreciation and amortisation expense	(237)	(250)	(262)	(259)	(257)	(262)	(257)	5	1.9%
Net investment income	(1)	2	-	(1)	(1)	-	(1)	(1)	NM
Net earnings before income tax	**231**	**332**	**212**	**338**	**257**	**212**	**257**	**45**	**21.2%**
Tax expense	(69)	(78)	(65)	(104)	(78)	(65)	(78)	(13)	(20.0%)
Net earnings for the period	**162**	**254**	**147**	**234**	**179**	**147**	**179**	**32**	**21.8%**
Capital expenditure	244	124	190	159	218	190	218	28	14.7%
Free cash flows	50	388	113	320	183	113	183	70	62.6%
Reported EBITDAI margin	27.2%	33.9%	27.8%	34.4%	28.5%	27.8%	28.5%	0.7%	
Reported effective tax rate	29.9%	23.5%	30.7%	30.8%	30.4%	30.7%	30.4%	(0.3%)	
Capital expenditure to operating revenues	13.4%	6.9%	10.6%	8.8%	11.5%	10.6%	11.5%	0.9%	
Reported basic and diluted earnings per share (cent	8.8	13.9	8.0	12.5	9.6	8.0	9.6	1.6	20.0%

Gross margin by product

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
	$m	$m	$m	$m	$m	$m	$m	$m	%
Mobile	405	424	407	430	437	407	437	30	7.4%
Voice	123	119	87	93	86	87	86	(1)	(1.1%)
Broadband	175	166	166	173	166	166	166	-	-%
Cloud, security and service management	173	175	179	179	176	179	176	(3)	(1.7%)
Procurement and partners	20	25	20	23	26	20	26	6	30.0%
Managed data, network and services	70	68	72	73	65	72	65	(7)	(9.7%)
Other product	15	33	28	42	33	28	33	5	17.9%
Total product gross margin	**981**	**1,010**	**959**	**1,013**	**989**	**959**	**989**	**30**	**3.1%**
Other gains	4	31	4	24	16	4	16	12	NM
Total gross margin	**985**	**1,041**	**963**	**1,037**	**1,005**	**963**	**1,005**	**42**	**4.4%**

Connections

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Mobile connections [1]	2,500	2,519	2,431	2,421	2,445	2,431	2,445	14	0.6%
Voice connections by type [2]									
POTS & ISDN	288	220	197	168	140	197	140	(57)	(28.9%)
VoIP	54	61	69	69	69	69	69	-	-%
Voice over wireless	26	24	23	24	20	23	20	(3)	(13.0%)
	368	305	289	261	229	289	229	(60)	(20.8%)
Broadband connections									
Copper	211	186	157	131	113	157	113	(44)	(28.0%)
Fibre	340	367	381	395	402	381	402	21	5.5%
Wireless	141	156	165	175	187	165	187	22	13.3%
	692	709	703	701	702	703	702	(1)	(0.1%)

[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 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22 #	%
FTE permanent	5,119	4,983	4,961	4,889	4,921	4,961	4,921	(40)	(0.8%)
FTE contractors	200	146	121	150	190	121	190	69	57.0%
Total FTE	5,319	5,129	5,082	5,039	5,111	5,082	5,111	29	0.6%

Dividends

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22 $	%
Ordinary dividends (cents per share)	12.50	12.50	12.50	12.50	12.50	12.50	12.50	-	-%
Special dividends (cents per share)	-	-	-	-	-	-	-	-	NM
	12.50	12.50	12.50	12.50	12.50	12.50	12.50	-	-%

Spark New Zealand

Group operating revenues and other gains

	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	H1 FY21 v H1 FY22 %
Operating revenues									
Mobile									
Service revenue	425	423	420	432	441	420	441	21	5.0%
Non-service revenue	228	212	231	228	237	231	237	6	2.6%
	653	635	651	660	678	651	678	27	4.1%
Voice									
Access	95	85	62	67	57	62	57	(5)	(8.1%)
Calling	79	81	71	67	70	71	70	(1)	(1.4%)
Other voice revenue	23	23	21	20	19	21	19	(2)	(9.5%)
	197	189	154	154	146	154	146	(8)	(5.2%)
Broadband	345	335	337	333	324	337	324	(13)	(3.9%)
Cloud, security and service management	209	211	217	226	224	217	224	7	3.2%
Procurement and partners	207	200	236	178	301	236	301	65	27.6%
Managed data, network and services	134	143	140	142	140	140	140	-	-%
Other operating revenue	75	55	57	80	61	57	61	4	7.0%
Total operating revenues	**1,820**	**1,768**	**1,792**	**1,773**	**1,874**	**1,792**	**1,874**	**82**	**4.6%**
Other gains	4	31	4	24	16	4	16	12	NM
Total operating revenues and other gains	**1,824**	**1,799**	**1,796**	**1,797**	**1,890**	**1,796**	**1,890**	**94**	**5.2%**

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

Operating revenues and other gains	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	H1 FY21 v H1 FY22 %
Consumer	825	757	769	781	788	769	788	19	2.5%
Business	915	927	947	912	1,037	947	1,037	90	9.5%
Wholesale and other	110	142	106	132	100	106	100	(6)	(5.7%)
Eliminations	(26)	(27)	(26)	(28)	(35)	(26)	(35)	(9)	(34.6%)
	1,824	1,799	1,796	1,797	1,890	1,796	1,890	94	5.2%

Finance income

Finance income	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	H1 FY21 v H1 FY22 %
Finance lease interest income	7	6	6	7	6	6	6	-	-%
Other interest income	11	12	11	10	8	11	8	(3)	(27.3%)
	18	18	17	17	14	17	14	(3)	(17.6%)

Net investment income

Net investment income	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	H1 FY21 v H1 FY22 %
Dividend income	-	-	-	-	-	-	-	-	NM
Share of associates' and joint ventures' net losses	(1)	2	-	(1)	(1)	-	(1)	(1)	NM
	(1)	2	-	(1)	(1)	-	(1)	(1)	NM

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 change and the associated impact on revenue reporting are as follows:

Product line	Services provided	Previous customer product	Current customer product
Internet of Things (IoT)	Reclassification of IoT products to algin with business alike segments from consumer. This exlcudes Wholesale IoT	Wholesale and other	Business

Spark New Zealand

Group operating expenses

	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	%
Product costs									
Mobile	248	211	244	230	241	244	241	(3)	(1.2%)
Voice	74	70	67	61	60	67	60	(7)	(10.4%)
Broadband	170	169	171	160	158	171	158	(13)	(7.6%)
Cloud, security and service management	36	36	38	47	48	38	48	10	26.3%
Procurement and partners	187	175	216	155	275	216	275	59	27.3%
Managed data, network and services	64	75	68	69	75	68	75	7	10.3%
Other product costs	60	22	29	38	28	29	28	(1)	(3.4%)
	839	758	833	760	885	833	885	52	6.2%
Labour	268	245	256	237	263	256	263	7	2.7%
Other operating expenses									
Network support costs	37	32	44	42	44	44	44	-	-%
Computer costs	49	49	51	50	55	51	55	4	7.8%
Accommodation costs	33	30	32	35	30	32	30	(2)	(6.3%)
Advertising, promotions and communication	47	31	44	28	34	44	34	(10)	(22.7%)
Bad debts	7	10	(1)	(6)	3	(1)	3	4	NM
Impairment expense	-	2	-	2	2	-	2	2	NM
Other	47	32	37	30	36	37	36	(1)	(2.7%)
	220	186	207	181	204	207	204	(3)	(1.4%)
Total operating expenses	**1,327**	**1,189**	**1,296**	**1,178**	**1,352**	**1,296**	**1,352**	**56**	**4.3%**
Finance expense									
Finance expense on debt	25	28	21	22	23	21	23	2	9.5%
Other interest and finance expense	7	5	6	4	4	6	4	(2)	(33.3%)
Lease interest expense	15	16	15	11	10	15	10	(5)	(33.3%)
Leased customer equipment interest expense	3	3	4	4	3	4	3	(1)	(25.0%)
	50	52	46	41	40	46	40	(6)	(13.0%)
Capitalised interest	(4)	(4)	(3)	(3)	(3)	(3)	(3)	-	-%
	46	48	43	38	37	43	37	(6)	(14.0%)
Depreciation and amortisation expense									
Depreciation - property, plant and equipment	119	114	124	118	116	124	116	(8)	(6.5%)
Depreciation - right-of-use assets	28	36	35	42	40	35	40	5	14.3%
Depreciation - leased customer equipment assets	15	12	19	17	18	19	18	(1)	(5.3%)
Amortisation of intangibles	75	88	84	82	83	84	83	(1)	(1.2%)
	237	250	262	259	257	262	257	(5)	(1.9%)

Expenses restatement

Spark revised its accounting policy in relation to configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements. This was in response to the IFRS Interpretations Committee ('IFRIC') agenda decision, issued in April 2021, clarifying its interpretation of how current accounting standards apply to these types of arrangements. Details of the key change listed below:

Product line	Previous classification	Current product
Configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements	Capex (IT systems)	Labour, Network support costs and Other operating expenses

Further details can be found in Note 3 of Spark's interim financial statements for the six months ended 31 December 2021.

Spark New Zealand

Analysis & KPI's - Mobile

Mobile revenue by type (Consumer and Business)	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	H1 FY21 v H1 FY22 %
Mobile service revenue	421	419	415	427	435	415	435	20	4.8%
Mobile non-service revenue [1]	216	197	223	221	229	223	229	6	2.7%
	637	616	638	648	664	638	664	26	4.1%
Wholesale and other customer segment mobile revenue[2]	16	19	13	12	14	13	14	1	7.7%
Total mobile revenue	**653**	**635**	**651**	**660**	**678**	**651**	**678**	**27**	**4.1%**
Mobile product costs[3]	(248)	(211)	(244)	(230)	(241)	(244)	(241)	3	1.2%
Mobile gross margin	**405**	**424**	**407**	**430**	**437**	**407**	**437**	**30**	**7.4%**
Mobile gross margin %	62.0%	66.8%	62.5%	65.2%	64.5%	62.5%	64.5%	2.0%	

Total mobile revenue by customer segment	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	H1 FY21 v H1 FY22 %
Consumer	443	419	438	441	454	438	454	16	3.7%
Business	194	197	200	207	210	200	210	10	5.0%
Wholesale and other	16	19	13	12	14	13	14	1	7.7%
	653	**635**	**651**	**660**	**678**	**651**	**678**	**27**	**4.1%**

Average revenue per user (ARPU) - 6 month active Consumer and Business	H1 FY20 $ per month	H2 FY20 $ per month	H1 FY21 $ per month	H2 FY21 $ per month	H1 FY22 $ per month	H1 FY21 $ per month	H1 FY22 $ per month	H1 FY21 v H1 FY22 $ per month	H1 FY21 v H1 FY22 %
Total ARPU	28.48	28.05	28.51	29.66	30.19	28.51	30.19	1.68	5.9%
Pay-monthly ARPU	42.82	41.19	39.97	40.31	40.17	39.97	40.17	0.20	0.5%
Prepaid ARPU	13.28	13.37	14.36	15.42	16.26	14.36	16.26	1.89	13.2%

Number of mobile connections at period end - 6 month active - Consumer and Business [4]	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	H1 FY22 000's	H1 FY21 000's	H1 FY22 000's	H1 FY21 v H1 FY22 000's	H1 FY21 v H1 FY22 %
Pay-monthly connections	1,287	1,330	1,355	1,386	1,416	1,355	1,416	61	4.5%
Prepaid connections	1,181	1,161	1,047	1,008	1,001	1,047	1,001	(46)	(4.4%)
Internal connections	4	4	4	4	4	4	4	-	-%
Total mobile connections	2,472	2,495	2,406	2,398	2,421	2,406	2,421	15	0.6%

[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

Revenue by type	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	%
Access	95	85	62	67	57	62	57	(5)	(8.1%)
Calling	79	81	71	67	70	71	70	(1)	(1.4%)
Other voice revenue	23	23	21	20	19	21	19	(2)	(9.5%)
Total voice revenue	197	189	154	154	146	154	146	(8)	(5.2%)
Voice product costs[1]	(74)	(70)	(67)	(61)	(60)	(67)	(60)	7	10.4%
Voice gross margin	**123**	**119**	**87**	**93**	**86**	**87**	**86**	**(1)**	**(1.1%)**
Voice gross margin %	62.4%	63.0%	56.5%	60.4%	58.9%	56.5%	58.9%	2.4%	

Voice connections by type	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	H1 FY22 000's	H1 FY21 000's	H1 FY22 000's	H1 FY21 v H1 FY22 000's	%
POTS and ISDN	288	220	197	168	140	197	140	(57)	(28.9%)
VoIP	54	61	69	69	69	69	69	-	-%
Voice over wireless	26	24	23	24	20	23	20	(3)	(13.0%)
Total voice connections[2]	368	305	289	261	229	289	229	(60)	(20.8%)

Voice connections by customer segment	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	H1 FY22 000's	H1 FY21 000's	H1 FY22 000's	H1 FY21 v H1 FY22 000's	%
Consumer	93	49	58	60	47	58	47	(11)	(19.0%)
Business	161	157	149	138	132	149	132	(17)	(11.4%)
Wholesale and other	114	99	82	63	50	82	50	(32)	(39.0%)
Total voice connections[2]	368	305	289	261	229	289	229	(60)	(20.8%)

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

[2] Excludes Cloud Telephony which has been moved to Managed Networks.

Analysis & KPI's - Broadband

	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	%
Total broadband revenue	345	335	337	333	324	337	324	(13)	(3.9%)
Broadband product costs[3]	(170)	(169)	(171)	(160)	(158)	(171)	(158)	13	7.6%
Broadband gross margin	**175**	**166**	**166**	**173**	**166**	**166**	**166**	**-**	**-%**
Broadband gross margin %	50.7%	49.6%	49.3%	52.0%	51.2%	49.3%	51.2%	1.9%	

Broadband connections by technology	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	H1 FY22 000's	H1 FY21 000's	H1 FY22 000's	H1 FY21 v H1 FY22 000's	%
Copper	211	186	157	131	113	157	113	(44)	(28.0%)
Fibre	340	367	381	395	402	381	402	21	5.5%
Wireless	141	156	165	175	187	165	187	22	13.3%
Total broadband connections	692	709	703	701	702	703	702	(1)	(0.1%)

Broadband connections by segment	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	H1 FY22 000's	H1 FY21 000's	H1 FY22 000's	H1 FY21 v H1 FY22 000's	%
Consumer	591	605	597	592	592	597	592	(5)	(0.8%)
Business	100	103	103	105	105	103	105	2	1.9%
Wholesale and other	1	1	3	4	5	3	5	2	66.7%
Total broadband connections	692	709	703	701	702	703	702	(1)	(0.1%)

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

Connection 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 change and the associated impact on revenue reporting are as follows:

Connection line	Services provided	Previous customer product	Current customer product
Skinny Jump	Reclassification of Skinny Jump connections to algin with business alike segments from consumer	Wholesale and other	Consumer

Spark New Zealand

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

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
	$m	$m	$m	$m	$m	$m	$m	$m	%
Cloud Revenue	111	114	113	116	119	113	119	6	5.3%
Security revenue	18	19	19	20	18	19	18	(1)	(5.3%)
Service Management revenue	80	78	85	90	87	85	87	2	2.4%
Cloud, Security and Service management revenue	209	211	217	226	224	217	224	7	3.2%
Cloud, Security and Service management product costs	(36)	(36)	(38)	(47)	(48)	(38)	(48)	(10)	26%
Cloud, Security and Service management gross margin	**173**	**175**	**179**	**179**	**176**	**179**	**176**	**(3)**	**(2%)**
Cloud, Security and Service management gross margin %	82.8%	82.9%	82.5%	79.2%	78.6%	82.5%	78.6%	(3.9%)	
Contribution margin (approximated) %[1]	34.4%	39.3%	34.6%	38.5%	34.8%	34.6%	34.8%	0.2%	

[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.

Cloud KPI's	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
Number of IaaS clients	361	347	329	336	309	329	309	(20)	(6.1%)
Power usage efficiency for dedicated data-centre sites			1.50	1.48	1.49	1.50	1.49	(0.01)	(0.7%)
Megawatt hours for combined data centre operations			22,091	22,874	21,664	22,091	21,664	(427)	(1.9%)

Security KPI's	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
Number of security clients	1,191	1,183	1,153	1,174	1,110	1,153	1,110	(43)	(3.7%)
Average monthly revenue per security client	2,519	2,677	2,746	2,839	2,703	2,746	2,703	(43)	(1.6%)

Service management KPI's	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
Number of service management clients	681	730	671	772	712	671	712	41	6.1%
Average monthly revenue per service management cli	19,579	17,808	21,113	19,430	20,365	21,113	20,365	(748)	(3.5%)

Recalculation of megawatt hours for combined data centre operations

The megawatt hours for combined data centre operations has been retrospectively updated following improvements in the caputring of all data centres electricity use, including racks hosed in shared sites. The calculation also include total usage over the entire 6 month period.

Analysis & KPI's - Procurement and Partners

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
	$m	$m	$m	$m	$m	$m	$m	$m	%
Procurement and partners revenue	207	200	236	178	301	236	301	65	27.6%
Procurement and partners product costs	(187)	(175)	(216)	(155)	(275)	(216)	(275)	(59)	(27.3%)
Procurement and partners gross margin	**20**	**25**	**20**	**23**	**26**	**20**	**26**	**6**	**30.0%**
Procurement and partners gross margin %	9.7%	12.5%	8.5%	13.0%	8.6%	8.5%	8.6%	0.1%	

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

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 v H1 FY22	
	$m	$m	$m	$m	$m	$m	$m	$m	%
Collaboration	30	35	33	35	38	33	38	5	15.2%
Managed data and networks	104	108	107	107	102	107	102	(5)	(4.7%)
Managed data, network and services revenue	134	143	140	142	140	140	140	-	-%
Managed data, network and services product costs[2]	(64)	(75)	(68)	(69)	(75)	(68)	(75)	(7)	(10.3%)
Managed data, network and services gross margin	**70**	**68**	**72**	**73**	**65**	**72**	**65**	**(7)**	**(9.7%)**
Managed data, network and services gross margin %	52.2%	47.6%	51.4%	51.4%	46.4%	51.4%	46.4%	(5.0%)	

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

Spark New Zealand

Statement of cash flows

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 vs H1 FY22	
	$m	$m	$m	$m	$m	$m	$m	$m	%
Cash flows from operating activities									
Cash received from customers	1,861	1,733	1,828	1,719	1,901	1,828	1,901	73	4.0%
Interest receipts	17	17	16	16	13	16	13	(3)	(18.8%)
Dividend receipts	-	-	-	-	-	-	-	-	NM
Payments to suppliers and employees	(1,399)	(1,104)	(1,321)	(1,137)	(1,327)	(1,321)	(1,327)	(6)	(0.5%)
Payments for income tax	(82)	(58)	(118)	(70)	(93)	(118)	(93)	25	21.2%
Payments for interest on debt	(26)	(26)	(23)	(23)	(23)	(23)	(23)	-	-%
Payments for interest on leases	(14)	(16)	(16)	(10)	(10)	(16)	(10)	6	37.5%
Payments for interest on leased customer equipment assets	(3)	(3)	(4)	(4)	(3)	(4)	(3)	1	25.0%
Net cash flows from operating activities	**354**	**543**	**362**	**491**	**458**	**362**	**458**	**96**	**26.5%**
Cash flows from investing activities									
Proceeds from sale of property, plant and equipment	13	-	-	6	-	-	-	-	NM
Proceeds from sale of business	-	23	8	22	-	8	-	(8)	(100.0%)
Proceeds from long-term investments	-		-	6	3	-	3	3	NM
Receipts from finance leases	2	4	2	4	2	2	2	-	-%
Payments for purchase of businesses	(11)	-	-	(25)	-	-	-	-	NM
Payments for, and advances to, long-term investments	(30)	(5)	(4)	(9)	(39)	(4)	(39)	(35)	NM
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum), and capacity	(270)	(117)	(212)	(118)	(216)	(212)	(216)	(4)	(1.9%)
Payments for spectrum intangible assets	-	-	-	(51)	-	-	-	-	NM
Payments for capitalised interest	(4)	(4)	(3)	(3)	(3)	(3)	(3)	-	-%
Net cash flows from investing activities	**(300)**	**(99)**	**(209)**	**(168)**	**(253)**	**(209)**	**(253)**	**(44)**	**(21.1%)**
Cash flows from financing activities									
Net proceeds from debt	207	(177)	100	(138)	99	100	99	(1)	(1.0%)
Payments for dividends	(229)	(230)	(167)	(163)	(225)	(167)	(225)	(58)	(34.7%)
Payments for leases	(19)	(23)	(20)	(36)	(33)	(20)	(33)	(13)	(65.0%)
Payments for leased customer equipment assets	(13)	(15)	(16)	(18)	(25)	(16)	(25)	(9)	(56.3%)
Receipts from loans receivable	-	-	-	1	-	-	-	-	NM
Net cash flows from financing activities	**(54)**	**(445)**	**(103)**	**(354)**	**(184)**	**(103)**	**(184)**	**(81)**	**(78.6%)**
Net cash flow	**-**	**(1)**	**50**	**(31)**	**21**	**50**	**21**	**(29)**	**(58.0%)**
Opening cash position	54	54	53	103	72	53	72	19	35.8%
Closing cash position	**54**	**53**	**103**	**72**	**93**	**103**	**93**	**(10)**	**(9.7%)**

Spark New Zealand

Analysis & KPIs - Free cash flows and movement in working capital

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H1 FY21	H1 FY22	H1 FY21 vs H1 FY22	
	$m	$m	$m	$m	$m	$m	$m	$m	%
EBITDAI	497	610	500	619	538	500	538	38	7.6%
excluding									
Impairments and Other Gains	4	29	4	22	14	4	14	10	NM
EBITDAI excluding impairments and other gains	**493**	**581**	**496**	**597**	**524**	**496**	**524**	**28**	**5.7%**
excluding									
Cash capital expenditure	274	121	215	121	219	215	219	4	1.9%
Interest paid	26	28	27	21	23	27	23	(4)	(14.8%)
Tax payments	82	58	118	70	93	118	93	(25)	(21.2%)
Lease payments	30	34	34	50	56	34	56	22	64.7%
Total Cash Capex, Interest, Tax, Lease payments	**412**	**241**	**394**	**262**	**391**	**394**	**391**	**(3)**	**(0.8%)**
Underlying Free Cash Flow	**81**	**340**	**102**	**335**	**133**	**102**	**133**	**31**	**30.4%**
Change in									
Receivables and related items	(12)	(57)	23	(46)	16	23	16	(7)	(30.4%)
Inventory	41	(31)	11	23	29	11	29	18	NM
Payables and related items	2	40	(45)	38	(95)	(45)	(95)	(50)	NM
Total Change in Working Capital	**31**	**(48)**	**(11)**	**15**	**(50)**	**(11)**	**(50)**	**(39)**	**NM**
Free Cash Flow	**50**	**388**	**113**	**320**	**183**	**113**	**183**	**70**	**61.9%**
less									
Spectrum	-	-	-	51	-	-	-	-	NM
Free Cash Flow Including Spectrum	**50**	**388**	**113**	**269**	**183**	**113**	**183**	**70**	**61.9%**
Cash conversion	94%	108%	102%	97%	110%	102%	110%	8%	

Spark New Zealand

Group capital expenditure

	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	H1 FY21 v H1 FY22 %
Cloud	16	8	9	11	7	9	7	(2)	(22.2%)
Converged Communications Network (CCN)	11	7	15	12	11	15	11	(4)	(26.7%)
International cable construction and capacity purchases	-	11	1	8	1	1	1	-	-%
IT systems	70	53	64	53	87	64	87	23	35.9%
Mobile network	92	24	58	48	74	58	74	16	27.6%
Core sustain and resiliency	50	15	34	22	35	34	35	1	2.9%
Other	5	6	9	5	3	9	3	(6)	(66.7%)
Total capital expenditure (Excl. Mobile Spectrum and property, plant and equipment transfers from finance lease receivables)	**244**	**124**	**190**	**159**	**218**	**190**	**218**	**28**	**14.7%**
Total capital expenditure (Excl. Mobile Spectrum and property, plant and equipment transfers from finance lease receivables) to operating revenue and other gains	**13.4%**	**6.9%**	**10.6%**	**8.8%**	**11.5%**	**10.6%**	**11.5%**		
Mobile Spectrum	-	-	-	51	-	-	-	-	NM
Property, plant and equipment transfers from finance lease receivables	-	-	-	3	81	-	81	81	NM
Total capital expenditure (Incl. Mobile Spectrum and property, plant and equipment transfers from finance lease receivables)	**244**	**124**	**190**	**213**	**299**	**190**	**299**	**109**	**57.4%**
Total capital expenditure (Incl. Mobile Spectrum and property, plant and equipment transfers from finance lease receivables) to operating revenue and other gains	**13.4%**	**6.9%**	**10.6%**	**11.9%**	**15.8%**	**10.6%**	**15.8%**		

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 below:

	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	H1 FY22 $m	H1 FY21 $m	H1 FY22 $m	H1 FY21 v H1 FY22 $m	H1 FY21 v H1 FY22 %
Depreciation - property, plant and equipment	119	114	124	118	116	124	116	(8)	(6.5%)
Depreciation - right-of-use assets[1]	10	11	11	11	11	11	11	-	-%
Amortisation of intangibles	75	88	84	82	83	84	83	(1)	(1.2%)
Total capital expenditure depreciation and amortisation	**204**	**213**	**219**	**211**	**210**	**219**	**210**	**(9)**	**(4.1%)**

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

Expenses restatement

Spark revised its accounting policy in relation to configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements. This was in response to the IFRS Interpretations Committee ('IFRIC') agenda decision, issued in April 2021, clarifying its interpretation of how current accounting standards apply to these types of arrangements. Details of the key change listed below:

Product line	Previous classification	Current product
Configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements	Capex (IT systems)	Labour, Network support costs and Other operating expenses

Further details can be found in Note 3 of Spark's interim financial statements for the six months ended 31 December 2021.