



MARKET RELEASE – 22 February 2023

Spark New Zealand Limited H1 FY23 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 FY23 results:

1. Market Release
2. Results Announcement
3. Distribution Notice
4. Interim Financial Statements
5. Investor Presentation
6. Detailed Financial Information

Spark New Zealand's Chief Executive, Jolie Hodson, and Finance Director, Stefan Knight, will discuss the H1 FY23 Results at 10:00am New Zealand time today.

If you would like to join via teleconference, please register by clicking [here](#) or using the below link:

[Diamond Pass Invitation \(c-conf.com\)](#)

Please note that registered participants will receive their dial in number upon registration.

ASX Appendix 3A.1 will follow this release.

ENDS

Authorised by:

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About Spark

As New Zealand's largest telecommunications and digital services company, Spark's purpose is to help all of New Zealand win big in a digital world. Spark provides mobile, broadband, and digital services to millions of New Zealanders and thousands of New Zealand businesses.

www.sparknz.co.nz



MARKET RELEASE - WEDNESDAY, 22 FEBRUARY 2023

Spark delivers H1 FY23 results

- Reported revenue¹, EBITDAI², and NPAT all in growth, driven by one-off proceeds from the strategic divestment of a majority stake in Spark's TowerCo business
- Up to \$350 million to be returned to shareholders through an on-market share buy-back and an additional ~\$90-\$110 million to be invested in digital infrastructure and emerging technologies in the second half
- While adjusted revenue increased as a result of a standout performance in mobile, higher product costs and intensifying competition in broadband and cloud contributed to margin pressure in the half, with adjusted EBITDAI and NPAT declining
- H1 FY23 dividend of 13.5 cents per share declared, 100% imputed

Spark New Zealand Limited (**Spark**) today announced its results for the first half of FY23, with reported revenue, EBITDAI, and NPAT all in growth, driven by a one-off benefit from the strategic divestment of a majority stake in Spark's TowerCo business, which delivered proceeds of \$911 million and a net gain on sale of \$584 million.

During the half Spark also announced its decision to exit the sports streaming market through a content partnership agreement with TVNZ, resulting in a one-off provision of \$52 million.

The resulting net gain of the tower transaction and sport exit was \$532 million, driving a 34.1% increase in reported revenue to \$2,534 million, a 93.7% increase in reported EBITDAI to \$1,042 million, and an increase in reported NPAT to \$837 million.

Spark declared an H1 FY23 dividend per share of 13.5 cents, 100% imputed.

Spark New Zealand Chair Justine Smyth said: "Since the conclusion of the half we have been reminded once again of the urgency of our climate change response. The significant weather events we have experienced have destroyed homes, impacted livelihoods, and most sadly of all, taken lives. While Spark's network infrastructure was not significantly damaged, due to widespread power outages and fibre cuts we did see services impacted in the worst affected regions. We have been focused on supporting our customers and working alongside our industry peers to restore services with urgency.

"Looking to the future, we must work closely across sectors to set clear adaptation plans and determine the best way to direct co-investment by Government and the private sector into the infrastructure we will need as we face into a more volatile climate."

Commenting on the TowerCo proceeds, Smyth reconfirmed Spark's dual approach of delivering returns to shareholders and investing in future growth.

"We know that in these uncertain times, and in a high inflationary environment, our shareholders are looking for reliable and consistent returns. With that in mind, we are pleased to confirm that our on-market share buy-back will commence following our Investor Strategy Briefing³ on April 5, and will return up to \$350 million of the TowerCo proceeds to shareholders.

"We have also allocated \$350 million of these proceeds to invest back into growth, with a focus on digital infrastructure, data centres, and emerging technologies, with ~\$90-\$110 million of this allocation to be used in FY23."

¹ Operating revenues and other gains

² Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) and capital expenditure (CAPEX) are non-Generally Accepted Accounting Principles (non-GAAP) performance measures

³ Subject to market conditions

When adjusting for the one-off benefit from the TowerCo transaction, Spark's adjusted revenue increased 3.2% to \$1,950 million, driven largely by a standout performance in mobile. Mobile service revenue increased 8.8% to \$480 million, benefiting from the increasing demand for data from customers, the return of roaming revenues, and data-driven marketing delivering customers personalised offers and boosting conversion to higher value plans.

While core products and services remained resilient, higher product costs and intensifying competition in broadband and cloud contributed to margin pressure in the half, with adjusted EBITDAI down 5.2% to \$510 million. Adjusted NPAT declined 7.8% to \$165 million, driven by lower EBITDAI and higher finance expense.

Broadband revenue fell 3.4% to \$313 million as Spark's FY22 price refresh rolled through. Margins were also squeezed through inflationary input cost increases that occurred during the half. Spark implemented price increases in response and expects to see the benefits of that change in the second half. Despite these challenges, Spark maintained its broadband base and is on track to meet its FY23 target of 30% of its base on wireless, reaching approximately 29% in the half.

Cloud, security, and service management revenues decreased 4.5% to \$214 million as the mix-shift towards public cloud continued, resulting in repricing of private cloud and impacting margins. Managed services revenue was also impacted by lower project activity.

In future markets, Spark IoT reached a milestone of one million connected devices during the half, with connections up 39% to 1.2 million and revenue up 21% year-on-year. Spark Health maintained revenues, with digital transformation opportunities expected to grow as public sector health reforms progress.

During the half Spark also progressed a series of digital infrastructure investments and partnerships that will support future growth and efficiency gains. Spark's investment in an expansion of its Takanini data centre progressed to plan and is expected to complete in the second half. A new joint venture was established – Hourua – which was awarded the contract to provide priority cellular services to the Public Safety Network, used by frontline emergency responders.

Finally, the independent mobile towers business that was formed following the TowerCo transaction, Connexa, announced it had reached an agreement with Macquarie Asset Management and Aware Super to acquire 2degrees' passive mobile telecommunications tower assets. The transaction is expected to deliver greater operational efficiencies, better network economics, and faster deployment of new digital infrastructure.

Spark CEO Jolie Hodson said: "We want to acknowledge the tragic loss of life and devastation communities across the North Island are experiencing as a result of Cyclone Gabrielle.

"We know how critical our services are for people during an emergency and our absolute priority has been on urgently restoring connectivity and supporting our customers.

"As we now emerge from the immediate response, we will turn our focus to the bigger discussions we must have as a country on the level of resilience we will need all our infrastructure to have in the future. Investment in resilient and adaptive infrastructure has been a strategic focus for Spark for many years and this will not change."

Reflecting on the half year results Jolie said the strong growth experienced in mobile was contrasted by challenging broadband and cloud markets. "Like all businesses in Aotearoa Spark has been navigating uncertain and inflationary economic conditions.

"We continued to see exceptional growth in our largest category of mobile, with the ongoing return of roaming revenues, the increasing demand for data from our customers, and our use of data insights to offer our customers products and services based on their specific needs.

“The highly competitive nature of the broadband market was exacerbated by inflationary input cost increases, and while we have passed these through in several areas, we don’t expect to see the benefits of those changes until the second half.

“We have also been mindful to ensure we are leveraging our multi-brand portfolio to offer products across the price spectrum, so that New Zealanders can access a plan regardless of their budget. Ongoing growth in wireless broadband supports our ability to do this, and we were pleased to reach 29% of our base on wireless during the half.

“In cloud we saw an ongoing mix-shift towards public cloud, which has impacted private cloud revenue and margins, while the uncertain economic environment has contributed to lower managed service project activity. We are focused on accelerating simplification across our business portfolio and maximising our competitiveness in hybrid cloud, which is showing strong demand as customers seek diversification and a transition path to public cloud services.”

Spark remains committed to meeting its FY23 guidance of \$1,185-\$1,225 million⁴, and expects to be lower in the range. Total FY23 dividend guidance of 27.0cps, 100% imputed⁵, was also confirmed. Total growth capex for FY23 is now expected to be ~\$145-165 million – an increase of ~\$90-110 million, to be funded from TowerCo proceeds. As a result, FY23 Capital Expenditure Guidance is updated from ~\$410 million to ~\$520 million.

Spark will release details of its next three-year strategy covering the period FY24-FY26 at an Investor Strategy Briefing on 5 April 2023.

Authorised by:

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About Spark

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⁴ Excluding the net gain of \$534 million for the sale of TowerCo and provision for Spark Sport. EBITDAI guidance subject to no adverse change in operating outlook

⁵ Subject to no adverse change in operating outlook



Results announcement

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

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Results for announcement to the market		
Name of issuer	Spark New Zealand Limited	
Reporting Period	6 months to 31 December 2022	
Previous Reporting Period	6 months to 31 December 2021	
Currency	NZD - New Zealand Dollar	
	Amount (000s)	Percentage change
Revenue from continuing operations	NZD\$2,534,000	34.1%
Total Revenue	NZD\$2,534,000	34.1%
Net profit/(loss) from continuing operations	NZD\$837,000	367.6%
Total net profit/(loss)	NZD\$837,000	367.6%
Interim/Final Dividend		
Amount per Quoted Equity Security	NZD\$0.13500000 (comprised only of an ordinary dividend)	
Imputed amount per Quoted Equity Security	NZD\$0.05250000	
Record Date	17 March 2023	
Dividend Payment Date	6 April 2023	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	As at 31 December 2022: NZD\$0.66	As at 31 December 2021: NZD\$0.33
A brief explanation of any of the figures above necessary to enable the figures to be understood	Changes in Spark’s earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) are provided in the addendum.	
Authority for this announcement		
Name of person authorised to make this announcement	Stefan Knight, Finance Director (CFO)	
Contact person for this announcement	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	22 February 2023	

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\$1,042,000	93.7%
Adjusted ¹ earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (Adjusted EBITDAI)	NZD\$510,000	(5.20%)

¹ Adjusted earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) reflects the impact of the net gain on sale of Connexa of \$584 million, the one-off provision of \$52 million for Spark Sport. EBITDAI and Adjusted EBITDAI are non-GAAP measures which are defined and reconciled in note 5 of Spark's interim financial statements.



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	No		
Record date	17 March 2023 AUST & NZ; 16 March 2023 USA			
Ex-Date (one business day before the Record Date)	16 March 2023 AUST & NZ; 15 March 2023 USA			
Payment date (and allotment date for DRP)	6 April 2023 AUST & NZ; 17 April 2023 USA			
Total monies associated with the distribution	NZD\$252,877,142 (1,873,164,015 shares @ \$0.135 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\$0.18750000
Gross taxable amount	NZD\$0.18750000
Total cash distribution	NZD\$0.13500000
Excluded amount (applicable to listed PIEs)	N/A
Supplementary distribution amount	NZD\$0.02382353

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\$0.05250000

Resident Withholding Tax per financial product	NZD\$0.00937500	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	N/A	
Start date and end date for determining market price for DRP	N/A	N/A
Date strike price to be announced (if not available at this time)	N/A	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	N/A	
DRP strike price per financial product	N/A	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	N/A	
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	22 February 2023	



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INTERIM FINANCIAL STATEMENTS

FY2023

Interim financial statements

For the six months ended 31 December 2022

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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 2022.

Statement of profit or loss and other comprehensive income

SIX MONTHS ENDED 31 DECEMBER

	NOTES	2022 UNAUDITED \$M	2021 UNAUDITED \$M
Operating revenues and other gains ¹		2,534	1,890
Operating expenses ¹		(1,492)	(1,352)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	5	1,042	538
Finance income		16	14
Finance expense		(43)	(37)
Depreciation and amortisation		(248)	(257)
Net investment income		(1)	(1)
Net earnings before income tax	4	766	257
Tax income /(expense) ¹		71	(78)
Net earnings for the period	5	837	179
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of long-term investments designated at fair value through other comprehensive income	6	(26)	(3)
<i>Items that may be reclassified to profit or loss:</i>			
Translation of foreign operations		(1)	-
Change in hedge reserves net of tax		5	31
Other comprehensive income for the period		(22)	28
Total comprehensive income for the period		815	207
Earnings per share			
Basic earnings per share (cents)		44.7	9.6
Diluted earnings per share (cents)		44.6	9.6
Weighted average ordinary shares (millions)		1,872	1,868
Weighted average ordinary shares and options (millions)		1,875	1,870

See accompanying notes to the interim financial statements.

¹ These balances have been materially impacted by the Connexa transaction and the Spark Sport provision, see notes 3 and 5 for further details.

Statement of financial position

		AS AT 31 DECEMBER 2022 UNAUDITED \$M	AS AT 30 JUNE 2022 AUDITED \$M
	NOTES		
Current assets			
Cash		286	71
Short-term receivables and prepayments		824	839
Short-term derivative assets		-	5
Inventories		108	107
Taxation recoverable		4	1
Assets classified as held for sale		-	198
Total current assets		1,222	1,221
Non-current assets			
Long-term receivables and prepayments ¹		378	197
Long-term derivative assets		32	13
Long-term investments ¹	6	275	212
Deferred tax assets ¹		44	-
Right-of-use assets ¹		531	508
Leased customer equipment assets		77	90
Property, plant and equipment		1,174	1,109
Intangible assets		833	839
Total non-current assets		3,344	2,968
Total assets		4,566	4,189
Current liabilities			
Short-term payables, accruals and provisions		464	460
Taxation payable		-	40
Short-term derivative liabilities		2	1
Short-term lease liabilities ¹		73	52
Debt due within one year	7	148	293
Liabilities classified as held for sale		-	94
Total current liabilities		687	940
Non-current liabilities			
Long-term payables, accruals and provisions		97	64
Long-term derivative liabilities		95	77
Long-term lease liabilities ¹		774	292
Long-term debt	7	852	1,233
Deferred tax liabilities		-	108
Total non-current liabilities		1,818	1,774
Total liabilities		2,505	2,714
Equity			
Share capital		1,111	1,105
Reserves		(375)	(352)
Retained earnings		1,325	722
Total equity		2,061	1,475
Total liabilities and equity		4,566	4,189

See accompanying notes to the interim financial statements.

¹ These balances have been materially impacted by the Connexa transaction, see note 3 for further details.

On behalf of the Board



Justine Smyth, Chair

Authorised for issue on 22 February 2023



Jolie Hodson, Chief Executive

Statement of changes in equity

SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED	SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVES	SHARE- BASED COMPEN- SATION RESERVE	RE- VALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2022	1,105	722	8	5	(343)	(22)	1,475
Net earnings for the period	-	837	-	-	-	-	837
Other comprehensive income/(loss) for the period	-	-	5	-	(26)	(1)	(22)
Total comprehensive income/(loss) for the period	-	837	5	-	(26)	(1)	815
Contributions by, and distributions to, owners:							
Dividends	-	(234)	-	-	-	-	(234)
Supplementary dividends	-	(24)	-	-	-	-	(24)
Tax credit on supplementary dividends	-	24	-	-	-	-	24
Issuance of shares under share schemes	3	-	-	(1)	-	-	2
Other transfers	3	-	-	-	-	-	3
Total transactions with owners for the period	6	(234)	-	(1)	-	-	(229)
Balance at 31 December 2022	1,111	1,325	13	4	(369)	(23)	2,061

SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED	SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVES	SHARE- BASED COMPEN- SATION RESERVE	RE- VALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2021	1,084	779	(63)	3	(288)	(23)	1,492
Net earnings for the period	-	179	-	-	-	-	179
Other comprehensive income/(loss) for the period	-	-	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 for the period	11	(233)	-	-	-	-	(222)
Balance at 31 December 2021	1,095	725	(32)	3	(291)	(23)	1,477

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

	NOTES	2022 UNAUDITED \$M	2021 UNAUDITED \$M
Cash flows from operating activities			
Receipts from customers		1,975	1,901
Receipts from interest		16	13
Payments to suppliers and employees		(1,460)	(1,327)
Payments for income tax		(120)	(93)
Payments for interest on debt		(23)	(23)
Payments for interest on leases		(15)	(10)
Payments for interest on leased customer equipment assets		(4)	(3)
Net cash flows from operating activities	8	369	458
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1	-
Proceeds from sale of business	3	894	-
Proceeds from long-term investments		-	3
Receipts from finance leases		1	2
Payments for, and advances to, long-term investments		(2)	(39)
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum), and capacity		(246)	(216)
Payments for capitalised interest		(5)	(3)
Net cash flows from investing activities		643	(253)
Cash flows from financing activities			
Net (repayments of)/proceeds from debt		(517)	99
Payments for dividends		(234)	(225)
Payments for leases		(31)	(33)
Payments for leased customer equipment assets		(15)	(25)
Net cash flows from financing activities		(797)	(184)
Net cash flow		215	21
Opening cash position		71	72
Closing cash position		286	93

See accompanying notes to the interim financial statements.

Notes to the interim financial statements

NOTE 1 About this report

Reporting entity

These unaudited interim financial statements are for Spark New Zealand Limited (the 'Company') and its subsidiaries (together 'Spark' or 'the Group') for the six months ended 31 December 2022.

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*, as appropriate for profit-oriented entities.

Except for the implementation of the amendment to New Zealand equivalents to International Financial Reporting Standard (NZ IFRS) 16 Leases, the accounting policies adopted are consistent with those followed in the preparation of Spark's annual financial statements for the year ended 30 June 2022.

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 2022. 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. This represents a Level 2 measurement under the fair value measurement hierarchy, being inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

At 31 December 2022, capital expenditure amounting to \$466 million (31 December 2021: \$350 million) had been committed under contractual arrangements.

New and amended standards

Spark has adopted amendments issued for NZ IFRS 16 Leases which add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in NZ IFRS 15 *Revenue from contracts with customers* to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right-of-use it retains. This amendment resulted in the inclusion of an estimate of variable lease payments in the measurement of the lease liability recognised with Connexa Limited (Connexa), see note 3 for the opening leaseback liability balances recognised.

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 2022:

Capital expenditure

- Spark's additions to property, plant and equipment and intangible assets were \$250 million, details of which are available in a separate detailed financials file on the investor section of Spark's website at: investors.sparknz.co.nz/investor-centre.

Dividends

- Dividends paid during the six month period ended 31 December 2022 in relation to the H2 FY22 second-half dividend (ordinary dividend of 12.5 cents per share) totalled \$234 million or 12.5 cents per share.

Connexa

- On 14 October 2022, Spark completed the sale of Connexa (formerly TowerCo) to Ontario Teachers' Pension Plan (OTPP) Board and reinvested in a 30% share of the Connexa group, through the holding company FrodoCo Holdings Limited (FrodoCo). A breakdown of the impact on the Group is contained within note 3.
- The intention is to use the proceeds from the sale to; return up to \$350 million to shareholders through an on-market share buy-back (further details are provided in note 10), invest a further \$350 million in future growth opportunities and to offset debt headroom requirements resulting from the increased lease liability from Spark's long-term agreement with Connexa. At 31 December 2022, the excess proceeds had been used to reduce debt with no drawdowns on Spark's bank funding arrangements, commercial paper significantly reduced to \$40 million and \$131 million of cash was held on deposit.

- On 15 December 2022, Spark announced that Connexa reached an agreement with 2degrees Mobile (2degrees), to acquire 2degrees' passive mobile telecommunications tower assets. Spark will not contribute equity to the acquisition, which will result in its shareholding in FrodoCo being diluted from 30% to approximately 17%. The transaction is anticipated to occur by the end of the 2023 calendar year, conditional on Overseas Investment Office and Commerce Commission approval.

Spark Sport

- On 16 December 2022, Spark announced that Television New Zealand will become the home for the majority of Spark Sport content, subject to rights holder agreement, from 1 July 2023. As a result, a one-off provision of \$52 million has been recognised in the period, which includes ongoing obligations under content rights agreements that extend to FY28.

Notes to the interim financial statements

NOTE 3 Sale of Connexa

During the period Spark sold its subsidiary Connexa which contained its passive mobile tower assets. Under the terms of the transaction, Spark has entered into a 15 year lease agreement with Connexa to secure access to existing and new towers. Spark has also retained a 30% interest in the Connexa group, through the holding company FrodoCo, which is equity accounted for as an investment in associate.

The effect of the disposal to Spark is set out below:

	14 OCTOBER 2022 UNAUDITED \$M
Net cash inflow arising on disposal of subsidiary	911
Less: incremental transaction costs ¹	(17)
Net cash flow on sale of business	894
Property, plant and equipment and intangible assets disposed of	(94)
Sale and leaseback right-of-use asset recognised	40
Sale and leaseback liability recognised	(488)
Investment in the Connexa group	
Investment in associate	89
Loans receivable from FrodoCo	148
Less: unearned revenue ²	(5)
Net gain on disposal	584

1 These incremental transaction costs include: success fees, legal fees, consultant fees and additional labour costs.

2 Unearned revenue relates to the sale of additional mobile tower assets which are still under construction. This revenue will be recognised when these assets are delivered to Connexa, which is expected to occur within the next 12 months.

Impact of sale of Connexa on the statement of financial position as at 31 December 2022

The significant balances included within the statement of financial position as at 31 December 2022 as a result of the Connexa transaction were as follows:

	31 DECEMBER 2022 UNAUDITED \$M	DESCRIPTION OF THE BALANCE RELATING TO THE CONNEXA TRANSACTION
Long-term receivables and prepayments	150	Loans receivable from FrodoCo
Long-term investments	87	Investment in associate
Right-of-use assets ¹	41	Sale and leaseback right-of-use asset
Deferred tax assets	126	Deferred tax asset on the lease with Connexa
Short-term lease liabilities ¹	(15)	Short-term portion of sale and leaseback liability
Long-term lease liabilities ¹	(477)	Long-term portion of sale and leaseback liability

1 These balances have increased since the transaction date due to additional sites being leased from Connexa between the transaction date and 31 December 2022.

Notes to the interim financial statements

NOTE 3 Sale of Connexa (continued)

Deferred tax assets and income tax credit

Due to the difference between the right-of-use assets and lease liabilities recognised at the date of the transaction, a non-cash deferred tax asset of \$126 million was recognised, with a corresponding adjustment to tax income. As noted in the statement of cash flows on page 6, payments for income tax in H1 FY23 were \$120 million (H1 FY22: \$93 million).

Assignment of ground leases

As part of the transaction, Spark assigned its ground leases for the mobile sites to be sold to Connexa. As a result, Spark remeasured these lease liabilities to the next right of renewal as at this point these leases will be novated to Connexa. This resulted in a \$51 million reduction of the lease liabilities and right-of-use assets which were held for sale. On the sale of Connexa the right-of-use assets were replaced with finance lease receivables equal to the lease liabilities which were transferred back from held for sale.

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 results exclude other gains, labour, operating expenses, finance income and expense, depreciation and amortisation, net investment income and income tax expense, as these are assessed at an overall Group level by the Chief Executive.

SIX MONTHS ENDED 31 DECEMBER

	2022			2021		
	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN
UNAUDITED	\$M	\$M	\$M	\$M	\$M	\$M
Mobile	732	(255)	477	678	(241)	437
Voice	122	(51)	71	146	(60)	86
Broadband	313	(164)	149	324	(158)	166
Cloud, security and service management	214	(54)	160	224	(48)	176
Procurement and partners	319	(292)	27	301	(275)	26
Managed data, networks and services	142	(78)	64	140	(75)	65
Other products ¹	104	(55)	49	61	(28)	33
Segment results	1,946	(949)	997	1,874	(885)	989

¹ Other products includes revenue from Entelar Group, 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 product margin to consolidated net earnings before income tax

SIX MONTHS ENDED 31 DECEMBER	2022	2021
UNAUDITED	\$M	\$M
Segment product margin	997	989
Other gains		
Net gain on sale of Connexa	584	-
Gain on lease modifications and terminations	4	16
Labour	(269)	(263)
Other operating expenses		
Network support costs	(45)	(44)
Computer costs	(57)	(55)
Accommodation costs	(40)	(30)
Advertising, promotions and communication	(33)	(34)
Bad debts	(4)	(3)
Impairment expense	-	(2)
Spark Sport provision	(52)	-
Other	(43)	(36)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	1,042	538
Finance income		
Finance lease interest income	4	6
Other interest income	12	8
Finance expense		
Finance expense on long-term debt	(22)	(23)
Other interest and finance expenses	(7)	(4)
Lease interest expense	(15)	(10)
Leased customer equipment interest expense	(4)	(3)
Capitalised interest	5	3
Depreciation and amortisation expense		
Depreciation - property, plant and equipment	(114)	(116)
Depreciation - right-of-use assets	(36)	(40)
Depreciation - leased customer equipment assets	(19)	(18)
Amortisation - intangible assets	(79)	(83)
Net investment income		
Share of associates' and joint ventures' net losses	(3)	(1)
Interest income on loans receivable from associates and joint ventures	2	-
Net earnings before income tax	766	257

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.

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

Spark calculates EBITDAI by adding back finance expense, depreciation and amortisation and income tax expense and subtracting finance income and net investment income (which includes Spark's share of net profits or losses from associates and joint ventures, interest income on loans receivable from associates and joint ventures and dividend income) to net earnings. A reconciliation of Spark's EBITDAI and adjusted 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	2022	2021
UNAUDITED	\$M	\$M
Net earnings for the period reported under NZ IFRS	837	179
Less: finance income	(16)	(14)
Add back: finance expense	43	37
Add back: depreciation and amortisation	248	257
Less: net investment income	1	1
Add back: tax (income)/expense	(71)	78
EBITDAI	1,042	538

Adjusted EBITDAI and adjusted net earnings

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. In the six months ended 31 December 2022 the net gain on sale of Connexa of \$584 million and the one off provision of \$52 million for Spark Sport as described in note 2 were deemed significant items to adjust. There were no significant items to adjust for the six months ended 31 December 2021.

SIX MONTHS ENDED 31 DECEMBER	2022	2021
UNAUDITED	\$M	\$M
EBITDAI	1,042	538
Less: gain on sale of Connexa	(584)	-
Add: Spark Sport provision	52	-
Adjusted EBITDAI	510	538

SIX MONTHS ENDED 31 DECEMBER	2022	2021
UNAUDITED	\$M	\$M
Net earnings for the period reported under NZ IFRS	837	179
Less: gain on sale of Connexa	(584)	-
Add: Spark Sport provision	52	-
Less: tax effect of gain on sale of Connexa and Spark Sport provision	(140)	-
Adjusted net earnings	165	179

Notes to the interim financial statements

NOTE 6 Long-term investments

		AS AT 31 DECEMBER 2022 UNAUDITED \$M	AS AT 30 JUNE 2022 AUDITED \$M
	Measurement basis		
Shares in Hutchison	Fair value through other comprehensive income	79	105
Investment in associates and joint ventures	Equity method	190	101
Other long-term investments	Cost	6	6
		275	212

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 2022 the quoted price of Hutchison's shares on the ASX was AUD\$0.055 (30 June 2022: AUD\$0.070). The decrease in fair value of \$26 million is recognised in other comprehensive income (30 June 2022: \$55 million decrease).

Included within investment in associates and joint ventures is \$87 million for Spark's investment in the Connexa group, see note 3 for further details.

Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 31 December 2022 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Adroit Holdings Limited	Associate	New Zealand	47%	Environmental IoT solutions
Flok Limited	Associate	New Zealand	38%	Hardware and software development
FrodoCo Holdings Limited ¹	Associate	New Zealand	30%	A holding company for Connexa
Hourua Limited ²	Joint Venture	New Zealand	50%	Delivering the Public Safety Network
Pacific Carriage Holdings Limited, Inc.	Associate	United States	41%	A holding company
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	41%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

¹ Parent company for Connexa.

² Spark and Vodafone established Hourua Limited to provide priority cellular services to the Public Safety Network which is the new communications service that will be used by New Zealand's frontline emergency responders.

Notes to the interim financial statements

NOTE 7 Debt

				AS AT 31 DECEMBER 2022 UNAUDITED \$M	AS AT 30 JUNE 2022 AUDITED \$M
FACE VALUE	FACILITY	COUPON RATE	MATURITY		
Short-term debt					
Commercial paper		Variable	< 2 months	40	160
				40	160
Supplier financing arrangements ¹					
Amounts with a term less than six months		8.33%	< 6 months	-	19
Amounts due within one year		Variable	< 2 years	8	14
Amounts due in more than a year		Variable	< 2 years	11	9
				19	42
Bank funding					
Westpac New Zealand Limited ² 200 million NZD		Variable	30/11/2023	-	140
Commonwealth Bank of Australia ² 100 million NZD		Variable	30/11/2024	-	100
MUFG Bank, Ltd. ² 125 million NZD		Variable	30/11/2025	-	125
				-	365
Domestic notes					
100 million NZD		4.51%	10/03/2023	100	100
125 million NZD		3.37%	07/03/2024	121	122
125 million NZD		3.94%	07/09/2026	114	117
100 million NZD ³		4.37%	29/09/2028	100	100
				435	439
Foreign currency Medium Term Notes					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	95	97
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	151	158
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	109	113
Norwegian Medium Term Notes - 1 billion NOK ⁴		3.07%	19/03/2029	151	152
				506	520
				1,000	1,526
Debt due within one year				148	293
Long-term debt				852	1,233

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 or pay higher rates on the loans if it falls short of these targets.

3 This bond is a Sustainability-Linked Bond. The bond includes an interest rate step up depending on the achievement of a sustainability target as at 30 June 2026.

4 Norwegian krone.

Notes to the interim financial statements

NOTE 7 Debt (continued)

There have been no changes in Spark's short-term financing programmes, long-term financing programmes or stand-by facilities since 30 June 2022. Excess proceeds from the Connexa transaction were used to repay all bank funding in the period, see note 3 for further details.

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was \$968 million compared to a carrying value of \$960 million as at 31 December 2022 (30 June 2022: fair value of \$1,359 million compared to a carrying value of \$1,347 million).

	AS AT 31 DECEMBER 2022 UNAUDITED \$M	AS AT 30 JUNE 2022 AUDITED \$M
Total debt	1,000	1,526
Less short-term debt	(40)	(179)
Total long-term debt (including long-term debt due within one year)	960	1,347

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 2022 UNAUDITED \$M	AS AT 30 JUNE 2022 AUDITED \$M
Cash	(286)	(71)
Short-term debt at face value	40	179
Long-term debt at face value	1,033	1,417
Net debt at face value	787	1,525
To retranslate debt balances at swap rates where hedged by currency swaps	11	(3)
Net debt at hedged rates¹	798	1,522
<i>Non-cash adjustments</i>		
Impact of fair value hedge adjustments ²	12	10
Unamortised discount	-	(1)
Net debt at carrying value	810	1,531

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	2022	2021
UNAUDITED	\$M	\$M
Net earnings for the period	837	179
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	248	257
Bad and doubtful accounts	5	5
Deferred income tax	(147)	(14)
Share of associates' and joint ventures' net losses	3	1
Impairments	-	2
Gain on lease modifications and terminations	(4)	(16)
Net gain on sale of Connexa	(584)	-
Other	(4)	-
Spark Sport provision	52	-
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	(4)	(16)
Movement in inventories	(1)	(29)
Movement in current taxation	(44)	1
Movement in payables and related items	12	88
Net cash flows from operating activities	369	458

Notes to the interim financial statements

NOTE 9 Dividends

On 22 February 2023, the Board approved the payment of a first half ordinary dividend of 13.5 cents per share or approximately \$253 million. The dividend will be 100% imputed. In addition, supplementary dividends totalling approximately \$26 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 FY23 ORDINARY DIVIDENDS
Dividends declared	
Ordinary shares	13.5 cents
American Depositary Shares ¹	42.17 US cents
Imputation	
Percentage imputed	100%
Imputation credits per share	5.2500 cents
Supplementary dividend per share ²	2.3824 cents
'Ex' dividend dates	
New Zealand Stock Exchange	16/03/2023
Australian Securities Exchange	16/03/2023
American Depositary Shares	15/03/2023
Record dates	
New Zealand Stock Exchange	17/03/2023
Australian Securities Exchange	17/03/2023
American Depositary Shares	16/03/2023
Payment dates	
New Zealand and Australia	6/04/2023
American Depositary Shares	17/04/2023

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 FY23, these are based on the exchange rate at 17 February 2023 of NZ\$1 to US\$0.6247 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 ended 31 December 2022 no shares were issued (31 December 2021: shares with a total value of \$8 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 suspended for the H1 FY23 dividend and for the foreseeable future.

Notes to the interim financial statements

NOTE 10 Events occurring after the reporting period

On 22 February 2023, Spark New Zealand Limited announced that it has allocated up to NZ\$350 million to undertake an on-market share buy-back that will commence after the Investor Strategy Briefing on 5 April 2023. The shares will be acquired on the NZX and ASX, at prices that are in line with the prevailing market price from time to time during the period of the buy-back.

Spark reserved the right to vary, suspend without notice, or terminate the buy-back programme at any time.



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 2022, 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 18.

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 2022 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), 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 Company 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.



**Jason Stachurski, Partner
for Deloitte Limited**

Auckland, New Zealand

22 February 2023

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Spark New Zealand H1 FY23 Results Summary

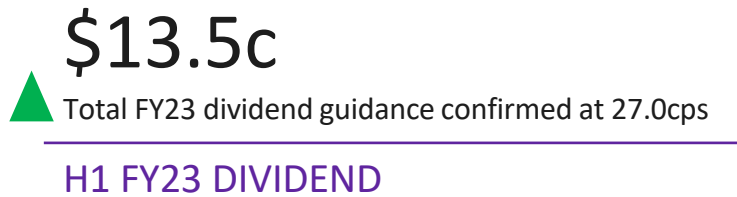
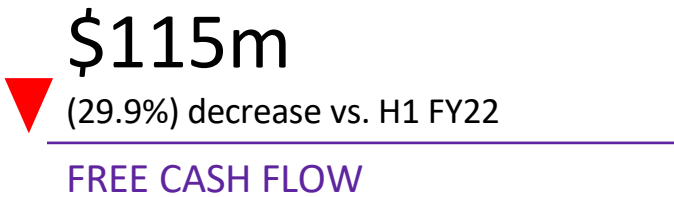
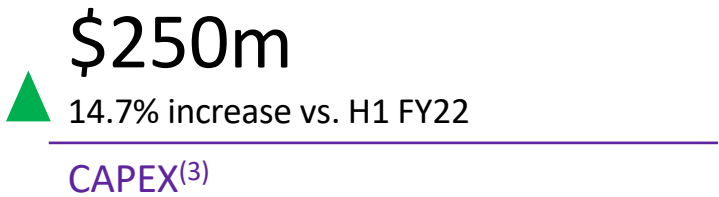
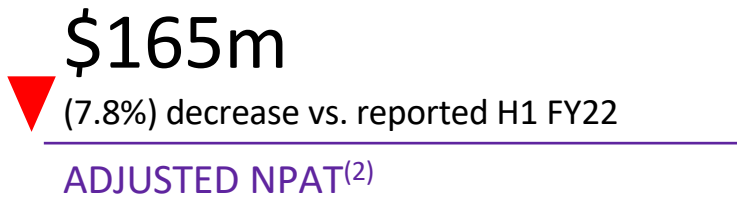
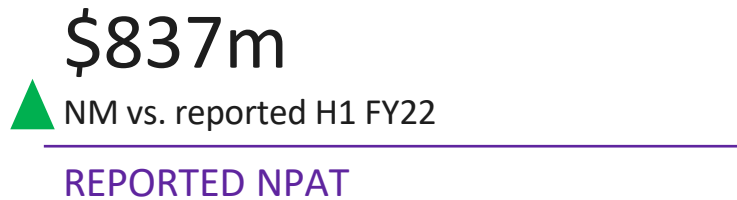
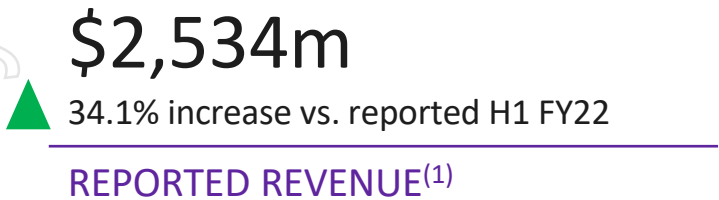
Jolie Hodson, Chief Executive Officer
Stefan Knight, Finance Director

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Results overview

H1 FY23 financial snapshot

Reported revenue and earnings growth driven by TowerCo sale, with a challenging operating environment impacting adjusted performance



⁽¹⁾ Operating revenues and other gains
⁽²⁾ EBITDAI is adjusted for the impact of TowerCo gain on sale of \$584m included in revenue and the Spark Sport provision of \$52m included in operating expenses. Net EBITDAI impact of \$532m. NPAT is further adjusted for the tax effect of the Spark Sport provision \$14m and a credit to tax expense of \$126m arising from the TowerCo transaction
⁽³⁾ Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) and capital expenditure (CAPEX) are non-Generally Accepted Accounting Principles (non-GAAP) performance measures that are defined in note 5 of Spark's interim financial statements and note 2.5 of Spark's 2022 Annual Report

Results summary

Effective portfolio management enabling shareholder returns in tough economic environment



EFFECTIVE PORTFOLIO MANAGEMENT DELIVERING SHAREHOLDER VALUE

- Strategic divestment of a majority stake in Spark's passive mobile infrastructure assets resulted in reported revenue, EBITDAI, and NPAT growth
- TowerCo transaction delivered proceeds of \$911 million⁽¹⁾ and a net gain on sale of \$584 million
- Decision to exit the sports streaming market resulted in a one-off provision of \$52 million – enabling Spark to focus future capital investment in growth areas with nearer-term returns
- The resulting net gain of the tower transaction and sport exit was \$532 million, driving a 34.1% increase in reported revenue to \$2,534 million, a 93.7% increase in reported EBITDAI to \$1,042 million, and an increase in reported NPAT to \$837 million
- Commencing on-market share buy-back following Spark's 5 April 2023 Investor Strategy Briefing to return up to \$350 million of proceeds from TowerCo transaction to shareholders (subject to market conditions)
- Spark will also invest \$350 million for growth, with ~\$90-\$110 million of incremental investment in digital infrastructure and emerging technologies in FY23
- Declared an H1 FY23 dividend of 13.5 cents, 100% imputed and confirmed total FY23 dividend guidance of 27.0cps, 100% imputed



CHALLENGING OPERATING ENVIRONMENT

- Like all businesses, Spark is navigating uncertain economic conditions as New Zealanders and businesses adapt to the inflationary environment
- Since the conclusion of the half this has been compounded for many communities by recent extreme weather events. Spark has been focused on supporting its customers and restoring services with urgency. While Spark's services were affected, this was largely due to power outages and fibre cuts – with mobile infrastructure remaining intact
- Within the half, while core products and services remained resilient, higher product costs and intensifying broadband and cloud competition contributed to margin pressure in the half, with adjusted EBITDAI down 5.2% to \$510 million and adjusted NPAT down 7.8% to \$165 million
- Adjusted revenues increased 3.2% to \$1,950 million, largely driven by standout mobile performance, with mobile service revenue up 8.8% as roaming revenues return, and data-driven marketing differentiates Spark in the market
- Future markets are well positioned for growth, with healthcare sector digitisation expected to accelerate as public sector reforms progress, and Spark IoT continuing to scale – reaching the milestone of 1.2 million connections during the half
- While broadband remains challenging with ongoing price competition and rising access prices further squeezing margins, Spark is on track to meet its target of 30% of its base on wireless by end FY23 – hitting ~29% in the first half
- As reported in the FY22 results, the scaling of public cloud in New Zealand resulted in a repricing of private cloud, reducing revenues and eroding margins. Spark is focussed on accelerating simplification and meeting customer demand for hybrid cloud environments while investing in new data centre assets

⁽¹⁾Proceeds before transaction costs of \$17m

Established market performance

Standout performance in mobile, while competitive pressures squeezed margins in broadband and cloud

\$480m

▲ 8.8% increase vs. H1 FY22

MOBILE SERVICE REVENUE

Continued strong mobile performance with ARPU and connection growth across pay monthly and pre-paid, and roaming returning to more than 75% of pre-Covid levels

Simplification combined with data-driven marketing resulting in ~10% increase in the proportion of Spark's mobile customers on Endless plans

Return of roaming combined with strong growth in data usage driving increased total ARPU up \$1 YoY across entire mobile portfolio

\$313m

▼ (3.4%) decrease vs. H1 FY22

BROADBAND REVENUE

Price refresh and scaling of precision marketing into broadband portfolio maintaining connection base in line with strategy

Inflationary input cost increases, higher fibre base, and retail competition squeezed margins. Benefits of Spark's pass through of input cost increases is expected to flow through in H2

On track to achieve FY23 aspiration of ~30% of broadband base on wireless, reaching ~29% during the half

\$214m

▼ (4.5%) decrease vs. H1 FY22

CLOUD, SECURITY AND SERVICE MANAGEMENT REVENUE

Cloud mix-shift trend continues, with volume growth in lower-margin public cloud and co-location being offset by lower private cloud volumes and repricing

Managed services revenue impacted by lower project and transition activity

Focus on improving performance in second half through launch of enhanced hybrid cloud solutions and bringing Enterprise Service Management proposition to market

H1 FY23 future market performance

Strategic decision to exit sports streaming market to enable more focussed future growth investment ahead



SPARK IoT

- Achieved milestone of one million connected devices, with connections up 39% to 1.2 million
- Revenue up 21% YoY driven by continued strong connectivity growth and increased solutions revenue across multiple sectors – including energy, industry, property, transport, food, forestry, and agriculture
- Implemented pilot with Christchurch City Council and Fire Emergency NZ in Bottle Lake Forest in response to challenges of a warming climate – utilising sensors to detect fire risk and enabling a faster emergency response



SPARK HEALTH

- Digital health revenues maintained with digital transformation opportunities expected to grow as public health reforms progress
- Continue to target growth through core services and digital transformation projects in the private and public sectors
- Kete Waiora (Digital Health Platform) Health Wearables integration enabling individual health data to be captured in a personal health record and shared with healthcare providers



SPARK SPORT

- Decision to exit sports streaming market announced during the half, as content rights costs continue to escalate
- Content partnership agreed with TVNZ, with the broadcaster taking the majority of Spark Sport content from 1 July 2023⁽¹⁾
- A one-off provision of \$52 million has been recognised in H1 FY23, which includes ongoing obligations under content rights agreements that extend from FY24 to FY28

SPARK
PAGE 6
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⁽¹⁾ Subject to rights holder agreement

Core capabilities laying foundations for next phase of strategy

Continued to build differentiation in the market through capability-led strategy



SIMPLE, INTUITIVE CUSTOMER EXPERIENCES

- Simplification continues with a further 81,000 customer mobile and broadband lines migrated to new plans
- ‘Team Up’ mobile proposition launched, with take up and ARPU performance ahead of expectations since launch
- Roaming usage tracking now available in the Spark App, making it easier for customers to manage data while traveling



DEEP CUSTOMER INSIGHTS

- Data-driven marketing continues to reduce acquisition costs and improved conversion by ~17% YoY
- More than half of all marketing campaigns now automated – on track to cover 80% by end FY23
- Data and AI capability now being rolled out in business segment to improve returns



SMART, AUTOMATED NETWORK

- 5G rollout on track for FY23 target with 64 5G locations now live across the country and 5G Standalone trials underway
- \$24m of funding committed to support rural connectivity in return for the allocation of C-band spectrum
- New joint venture established, Hourua, awarded contract to provide priority cellular services to the Public Safety Network
- Data centre investment at Takanini progressing to plan and expected to complete in second half
- Connexa reaches agreement to acquire 2degrees’ passive mobile tower assets – further improving network economics in the future



GROWTH MINDSET

- Gender pay gap at 22%, a 1pp YoY improvement, with females representing 33% of Spark’s workforce
- Achieved employee Net Promoter Score of +70
- Spark recognised with the Diversity and Inclusion Leadership Award at the Deloitte Top 200

Continual ESG improvements underpinning sustainable growth

Spark now placed in top quartile of S&P Corporate Sustainability Assessment benchmark



CREATE A SUSTAINABLE SPARK

- Ongoing progress towards gender diversity targets
- Provisional scope 1 and 2 emissions down ~35% vs H1 FY22 to 7,500 tonnes CO2e, driven by higher share of renewables in national electricity generation. These reductions bring our emissions on track with our SBTi target pathway
- FY22 S&P Corporate Sustainability Assessment score increased to top quartile, with Spark accepted into the Dow Jones Sustainability Australia Index



ECONOMIC RECOVERY AND TRANSFORMATION

- Research launched into the role digital technology can play in addressing Aotearoa’s climate change – highlighting cross-sector actions that could reduce annual emissions 7.2 Mt by 2030, equivalent to 42% of emissions budget targets
- Accelerated 5G rollout on track and spectrum allocation to recycle investment into improved rural connectivity
- Continued to invest in rural connectivity with over 400 Rural Connectivity (RCG) sites now live, including 59 new sites in the half



CHAMPION DIGITAL EQUITY

- ~25,000 active Skinny Jump connections supporting low-income households to access the digital world
- Spark Foundation funded '*Te Au Hangarau: The Wave of Technology*' research launched – exploring how the technology industry can increase Māori participation and progression
- 'ALL IN' digital equity event for Spark people generated significant number of ideas to increase digital equity, with the top 3 prioritised for action in FY24 and beyond

FY23 indicators of success

Key indicators largely on track, with performance lift required in cloud and health

Strategic Pillar	Focus Area	Measure	Target 30 June 2023	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	15% ⁽¹⁾	Exceeding
	Smart automated networks	5G roll out	40-50 locations ⁽²⁾	On Track
	Growth mindsets	eNPS	+70	On Track
Grow established markets	Wireless	Mobile service revenue growth	5-8%	Exceeding
	Broadband	Percentage of broadband base on wireless	~30%	On Track
	Cloud	Cloud, security and service management revenue growth	2-5%	Off Track
Accelerate future markets	Spark IoT	Number of connected IoT devices	~1.2m connections	Exceeding
	Spark Health	Growth in Spark Health Digital Platform Revenues	10-15% ⁽³⁾	Improvement Needed
Lowest cost provider	Deliver best cost	EBITDAI margin	~31%	On Track
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k	Improvement Needed
	Sustainable Spark	Reduction in scope 1 and 2 emissions year-on-year to hit SBTi emissions reduction pathway	18.6% reduction	On Track

⁽¹⁾Spark consumer base





⁽²⁾Contingent on NZ Government allocation of C-band spectrum

⁽³⁾Excluding procurement and telco revenues

Financials

H1 FY23 reported financial performance summary







Reported financials include significant impacts from TowerCo sale and Spark Sport TVNZ content partnership agreement

	\$2,534m Up \$644m or 34.1% vs. H1 FY22	REPORTED REVENUE GROWTH⁽¹⁾	<ul style="list-style-type: none">Reported revenue includes \$584m gain on sale as a result of divestment of majority stake in passive mobile infrastructure
	\$1,492m Up \$140m or 10.4% vs. H1 FY22	REPORTED OPEX GROWTH	<ul style="list-style-type: none">Reported operating expenses includes \$52m provision for exit of Spark SportThe provision represents ongoing obligations under content rights agreements that extend from FY24 to FY28
	\$1,042m Up \$504m or 93.7% vs. H1 FY22	REPORTED EBITDAI GROWTH	<ul style="list-style-type: none">Reported EBITDAI includes a net impact of \$532m for TowerCo sale and Spark Sport provision
	\$837m Up \$658m vs. H1 FY22	REPORTED NPAT GROWTH	<ul style="list-style-type: none">NPAT is adjusted for the tax effect of the Spark Sport provision of \$14m and credit to tax expense of \$126m arising out of the TowerCo transaction

⁽¹⁾ Operating revenues and other gains

H1 FY23 adjusted financial performance summary⁽¹⁾

Adjusted results reflect challenging operating conditions and uncertain economic environment

 \$1,950m Up \$60m or 3.2% vs. reported H1 FY22	ADJUSTED REVENUE GROWTH⁽²⁾	Revenue growth driven by: <ul style="list-style-type: none">• Outstanding performance in mobile• Growth in procurement related software licencing revenues for health sector• Higher other operating revenues through growth in new businesses
 \$1,440m Up \$88m or 6.5% vs. reported H1 FY22	ADJUSTED OPEX GROWTH	Increase in Opex driven by: <ul style="list-style-type: none">• Increased product costs to support mobile and procurement growth and higher sport content costs• Higher other operating expenses reflecting post Covid normalisation• Higher labour expense due to the acquisition of Connect 8
 \$510m Down \$28m or (5.2%) vs. reported H1 FY22	ADJUSTED EBITDAI GROWTH	EBITDAI impacted by growth in mobile being offset by: <ul style="list-style-type: none">• Declines in business segment, broadband, and return to normal calling behaviours post Covid• Reinvestment of cost out benefits in support of future growth
 \$165m Down \$14m or (7.8%) vs. reported H1 FY22	ADJUSTED NPAT GROWTH	NPAT decreased due to: <ul style="list-style-type: none">• Lower EBITDAI• Partially offset by lower tax expense in line with decrease in earnings
 \$115m Down \$49m or (29.9%) vs. reported H1 FY22	FREE CASH FLOW	Free cash flow impacted by: <ul style="list-style-type: none">• Lower EBITDAI• Phasing of capex• Timing of tax payments• Remain committed to FY23 free cash flow aspiration of ~\$460m-\$500m however expect to be lower in the range
 \$13.5c Up 1.0c or 8% vs. reported H1 FY22	H1 FY23 DIVIDEND	<ul style="list-style-type: none">• H1 FY23 dividend of 13.5cps, 100% imputed• Total FY23 dividend guidance confirmed at 27.0cps, 100% imputed• Commencing on-market buy-back to return up to \$350m of proceeds from TowerCo transaction to shareholders⁽³⁾

⁽¹⁾ Adjusted financial performance excludes the impacts of TowerCo transaction and Spark Sport provision

⁽²⁾ Operating revenues and other gains

⁽³⁾ Buy-back to commence after Spark's April 2023 investor Strategy Briefing (subject to market conditions)

Financials

	REPORTED H1 FY22 \$m	REPORTED H1 FY23 \$m	CHANGE		REPORTED H1 FY22 \$m	ADJUSTED H1 FY23 \$m	CHANGE
Operating revenues and other gains	1,890	2,534	34.1%		1,890	1,950	3.2%
Operating expenses	(1,352)	(1,492)	(10.4%)		(1,352)	(1,440)	(6.5%)
EBITDAI	538	1,042	93.7%		538	510	(5.2%)
Finance income	14	16	14.3%		14	16	14.3%
Finance expense	(37)	(43)	(16.2%)		(37)	(43)	(16.2%)
Depreciation and amortisation	(257)	(248)	3.5%		(257)	(248)	3.5%
Net investment income	(1)	(1)	-%		(1)	(1)	-%
Net earnings before tax expense	257	766	NM		257	234	(8.9%)
Tax expense	(78)	71	NM		(78)	(69)	11.5%
Net earnings after tax expense	179	837	NM		179	165	(7.8%)
Capital expenditure ⁽¹⁾	218	250	14.7%		218	250	14.7%
Free cash flow	164	115	(29.9%)		164	115	(29.9%)
EBITDAI margin	28.5%	41.1%	12.6pp		28.5%	26.2%	(2.3pp)
Effective tax rate	30.4%	(9.3%)	(39.7pp)		30.4%	29.5%	(0.9pp)
Capital expenditure to operating revenues and other gains	11.5%	9.9%	(1.6pp)		11.5%	12.8%	(1.3pp)
Basic Earnings per Share	9.6c	44.7c	35.1c		9.6c	8.8c	(0.8c)
Total Dividend per Share	12.5c	13.5c	1.0c		12.5c	13.5c	1.0c

⁽¹⁾Excluding expenditure on mobile spectrum

H1 FY23 operational performance summary

Adjusted revenue increase driven by standout performance in mobile

\$1,950m



3.2% increase vs. reported H1 FY22

ADJUSTED REVENUE⁽¹⁾

\$1,440m



6.5% increase vs. reported H1 FY22

ADJUSTED OPEX⁽²⁾

- Strong performance in mobile boosted by a \$20m increase in roaming revenues in the half⁽³⁾
- Procurement growth driven by strong software sales, particularly in health
- Increase in other operating revenue primarily attributed to:
 - 100% acquisition of Connect8 in February 2022;
 - Higher Spark Sport and Spark IoT revenues; and
 - New Public Safety Network (Hourua) revenue
- Cloud, security and service management declined as mix shift towards public cloud continues, combined with managed services decline
- Broadband revenue impacted by adoption of lower ARPU plans following FY22 plan refresh and competitive landscape
- Voice revenue declined as calling volumes normalised post the extended Covid lockdown in H1 2022
- Decrease in other gains of \$12m due to prior period gain relating to property leases
- Operating expenses up YoY as targeted cost out benefits continue to be reinvested in growth areas
- Overall increase in product costs to support mobile and procurement revenue growth, and increases in other product costs attributed to:
 - Higher Spark Sport content costs
 - Onboarding of Connect8 cost base
- Increase in labour primarily driven by full acquisition of Connect8
- Increase in other operating expenses due to increased maintenance for sites not able to be accessed during lockdowns and increased electricity costs

⁽¹⁾ Operating revenues and other gains. Adjusted for the impact of TowerCo gain on sale \$584m

⁽²⁾ Adjusted for Spark Sport Provision \$52m

⁽³⁾ Outbound roaming of \$20m reported in mobile service revenue and \$4m of inbound revenue reported in non-service revenue

Second half performance outlook

Remain committed to delivering FY23 EBITDAI guidance of \$1,185m-\$1,225m⁽¹⁾, now expected to be lower in the range

Spark's seasonal weighting of earnings to the second half combined with mobile roaming tailwinds, further stabilisation in broadband, and continued cost discipline will support delivery of FY23 EBITDAI guidance

MOBILE SERVICE REVENUE

- Ongoing strength in mobile with return of roaming accelerating towards 100% of pre-Covid levels

BROADBAND

- Targeting stabilisation in revenues
- Benefits of price increases implemented during H1 FY23 to offset inflationary input costs expected to flow through in H2 FY23
- Continue to target ongoing growth in wireless broadband to reduce cost and improve margins

VOICE

- Slowdown in rate of decline expected in H2 FY23 due to less elevated calling volumes in H2 FY22 as Covid subsided

CLOUD, SECURITY AND SERVICE MANAGEMENT

- Unlikely to achieve revenue aspiration of ~2-5% due to ongoing competitive pressure in cloud and lower service management project activity
- New data centre infrastructure capacity to come online

OTHER REVENUES AND GAINS

- Ongoing opportunities for equipment sales through normal management and life-cycling of network equipment

OPEX

- Continue to approach targeted cost out and tight management of discretionary spend to insulate from ongoing macro-economic uncertainty

⁽¹⁾Subject to no material change in operating outlook and excludes gain on sale for TowerCo transaction and impact of Spark Sport provision

H1 FY23 capital investment

FY23 capital investment guidance updated with an additional ~\$90-\$110m capital investment committed in H2 FY23 funded by TowerCo proceeds

Capital expenditure (\$m)	H1 FY22	H1 FY23
Cloud	7	11
Converged Communications Network (CCN)	11	16
International cable construction and capacity purchases	1	-
IT systems	87	62
Mobile network	74	69
Core sustain and resiliency	26	36
Data centres	9	50
Other	3	6
Capital expenditure excluding mobile spectrum	218	250
Total capital expenditure to operating revenue and other gains	11.5%	9.9%
Maintenance capex	197	200
Growth capex	21	50

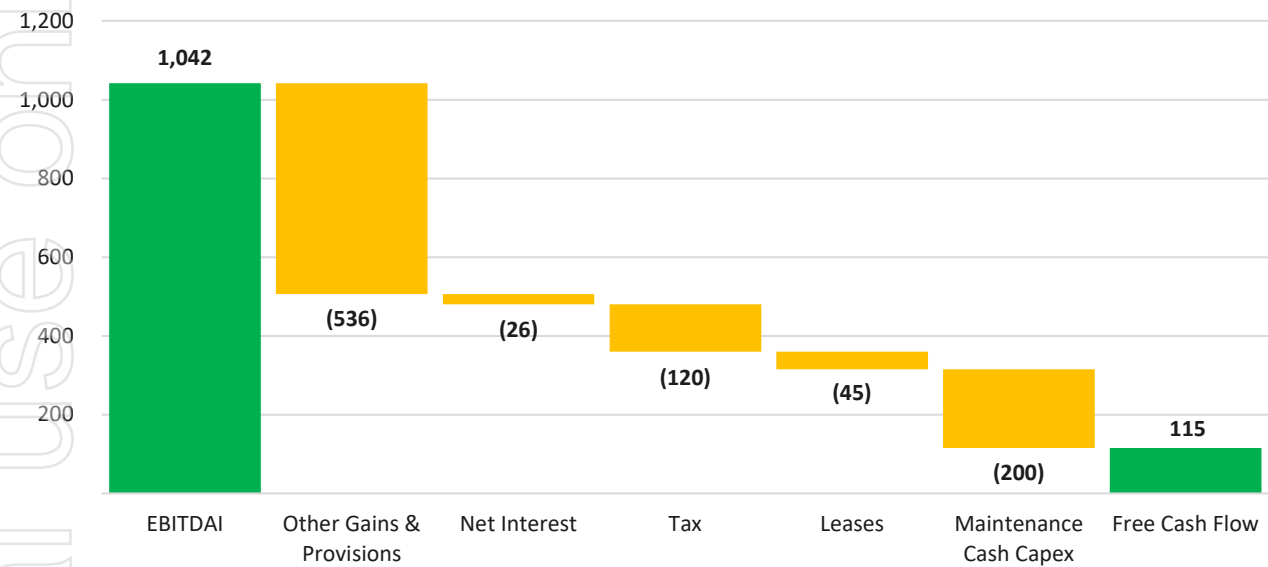
- H1 FY23 capital investment of \$250m⁽¹⁾ up \$32m vs. H1 FY22
- Upweight of first half capital investment primarily in support of Takanini data centre expansion
- Total growth capex for FY23 now expected to be ~\$145-\$165m, an increase of ~\$90-\$110m to be funded from TowerCo proceeds and invested in:
 - Uplift in data centre investment
 - Accelerated 5G standalone rollout
 - Additional investment in multi-access edge compute
- Investment in growth capex will deliver returns in line with Spark's Capital Management Framework
- As a result FY23 capital investment guidance is updated to ~\$520m
- An update on the balance of the proceeds retained from the sale of TowerCo (~\$240-\$260m) allocated for future capital investment will be provided as part of Spark's upcoming investor strategy briefing

⁽¹⁾Excluding expenditure on mobile spectrum. Capital expenditure is a non-GAAP measure and is defined in Note 2.5 of Spark's 2022 Annual Report

H1 FY23 free cash flow

Delivered free cash flow of \$115m with cash conversion of 102%

H1 FY23 Free Cash Flow Summary (\$m)



- Free cash flow of \$115m down \$49m vs. H1 FY22
- H1 FY23 free cash flow impacted by:
 - \$28m lower EBITDAI
 - \$27m higher tax payments due to timing (with a lower final tax payment in H1 FY22 relating to the FY21 year)
- H2 FY23 free cash flow expected to be driven by:
 - EBTIDAI growth driven by mobile and stabilisation in broadband and voice;
 - Timing of tax payments normalising; and
 - Managing maintenance capital expenditure in line with plan
- Remain committed to FY23 free cash aspiration of ~\$460m-\$500m, but now expect to be lower in the range
- Year to date change in working capital, an improvement of \$30m⁽¹⁾, primarily driven by timing of software licencing and billing⁽²⁾

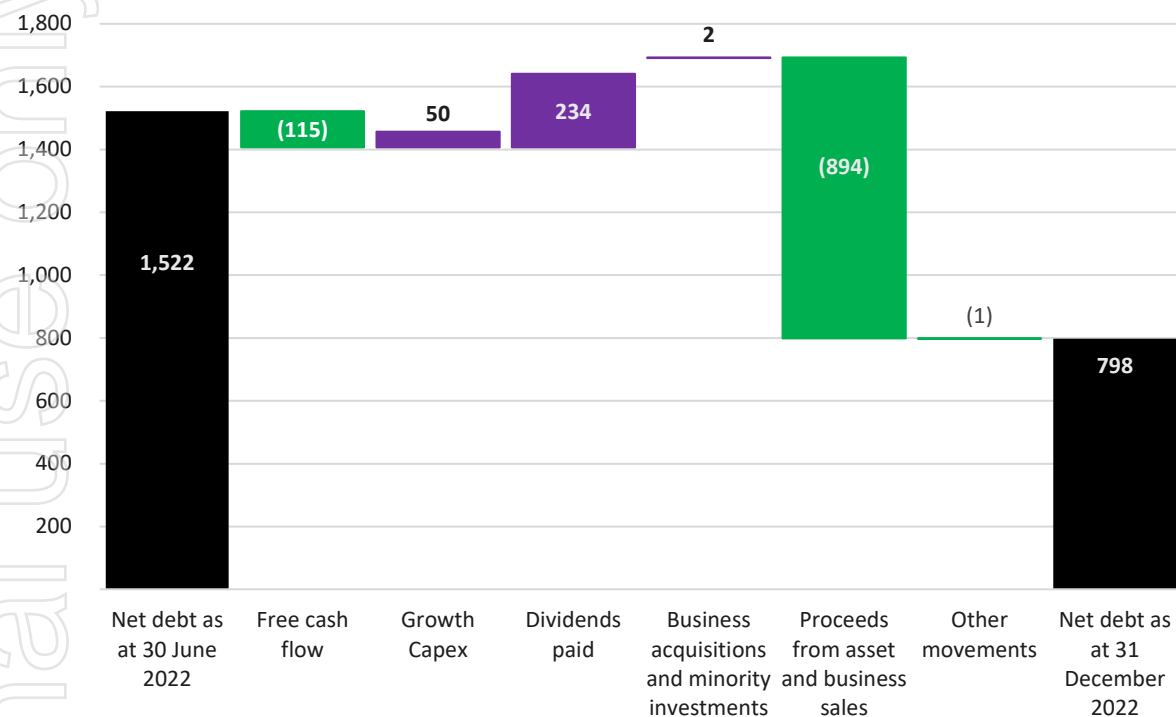
⁽¹⁾Working capital is not included in Spark’s calculation of free cash flow. The calculation of free cash flow is defined within the ‘cash flows’ worksheet of the H1 FY23 detailed financials

⁽²⁾In H1 FY22 \$66m of software licenses were billed in H1 but not paid for until H2. In H1 FY23 these were billed and paid for within the period

Net debt

Reported net debt down \$724m, reflecting repayment of short-term debt following receipt of TowerCo proceeds

Movement in net debt during H1 FY23 (\$m)



- Reported net debt to EBITDAI ratio of 0.66x⁽¹⁾ consistent with an S&P A- credit rating
- Spark's internal capital management policy has been to ensure that on a long-run basis, reported net debt to EBITDAI does not exceed 1.4x. This metric does not consider leases
- Following the TowerCo transaction, and to reflect the impact on leases, Spark's internal proxy for net debt to EBITDAI on a long-run basis has been lowered to 1.0x to more closely align to the external credit rating treatment
- Net debt will increase over time returning to more normalised levels as proceeds of TowerCo sale are distributed:
 - Up to \$350m to be returned to shareholders via an on-market buy-back due to commence post Spark's Investor Strategy Briefing on 5 April 2023; and
 - \$350m invested in growth as capital investment is upweighted to unlock future growth potential

⁽¹⁾Spark's internal capital management policy is to ensure that on a long-run basis reported net debt to EBITDAI does not exceed 1.0x, which Spark estimates is approximately equivalent to S&P's 1.7x adjusted net debt to EBITDAI threshold. Spark's internal threshold of 1.0x excludes S&P's adjustments in relation to IFRS16 and captive finance operations

	FY22 Actual	FY23 Guidance	Changes to previous FY23 Guidance
EBITDAI	\$1,150m	\$1,185m-\$1,225m Expect to be lower in the range (excludes net gain on sale of \$584m for TowerCo transaction and Spark Sport provision of \$52m)	-
Capital expenditure ⁽²⁾	\$410m	~\$410m	~\$520m ⁽³⁾
Dividend per share	Total 25.0cps (100% imputed)	Total 27.0cps (100% imputed)	-

⁽¹⁾Subject to no adverse change in operating outlook

⁽²⁾Excluding expenditure on mobile spectrum

⁽³⁾Previous capital expenditure guidance included growth capex of ~\$50-\$60m. Updated capital expenditure guidance includes growth capex of ~\$145m-\$165m an increase of ~\$90-\$110m to be funded from TowerCo proceeds

Summary



In final six months of three-year strategy, and on track to deliver FY23 ambitions



Delivered consistent financial performance over the last three-years despite challenging operating conditions including Covid, rapidly rising inflation, and ongoing macro-economic uncertainty



Investment in world class capabilities and culture have laid the foundations and created differentiation and competitive advantage in the market



An evolved strategy for the next three-years will be shared on Wednesday 5 April 2023

Appendix

FY23 Connexa P&L impact summary

Following completion of the Connexa divestment - an updated summary of the expected P&L financial impacts is below

Previous FY22 Results Market Release

	FY23 \$m	FY24 \$m
Other gains		
Operating revenue	2	(1)
Operating expenses	(5)	(8)
EBITDAI impact	(3)	(9)
Total net financing expense	11	17
Net earnings before tax	8	8

FY23 Expected Connexa Impacts

Other gains	584	
Operating revenue	2	
Operating expenses	(5)	(8)
EBITDAI impact	581	(8)
Total net financing expense	(3)	5
Net earnings before tax	579	(3)

There are two key changes to the disclosures previously made as part of Spark's FY22 results:

- Recognition of the gain on sale; and
- Net financing expense reflects updated IFRS treatment (unaudited) for Connexa leases and loans

Financing expenses may differ from the expected financial impacts outlined depending on:

- The timing of Connexa's acquisition of 2degrees' passive mobile tower assets, if approved;
- Timing of the utilisation of proceeds from Spark's divestment of TowerCo; and
- Final audited accounts from Connexa

FY23 Connexa statement of financial position impact summary

The significant balances included within the statement of financial position as at 31 December 2022 as a result of the Connexa transaction were as follows:

	31 December 2022 UNAUDITED \$M	Description of the balance relating to the Connexa transaction
Long-term receivables and prepayments	150	Loans receivable from FrodoCo
Long-term investments	87	Investment in associate
Right-of-use assets ⁽¹⁾	41	Sale and leaseback right-of-use asset
Deferred tax assets	126	Deferred tax asset on the lease with Connexa
Short-term lease liabilities ⁽¹⁾	(15)	Short-term portion of sale and leaseback liability
Long-term lease liabilities ⁽¹⁾	(477)	Long-term portion of sale and leaseback liability

⁽¹⁾ These balances have increased since the transaction date due to additional sites being leased from Connexa between the transaction date and 31 December 2022

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 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues and other gains	1,796	1,797	1,890	1,830	2,534	1,890	2,534	644	34.1%
Operating expenses	(1,296)	(1,178)	(1,352)	(1,218)	(1,492)	(1,352)	(1,492)	(140)	(10.4%)
EBITDAI	500	619	538	612	1,042	538	1,042	504	93.7%
Finance income	17	17	14	12	16	14	16	2	14.3%
Finance expense	(43)	(38)	(37)	(37)	(43)	(37)	(43)	(6)	(16.2%)
Depreciation and amortisation	(262)	(259)	(257)	(263)	(248)	(257)	(248)	9	3.5%
Net investment income	-	(1)	(1)	-	(1)	(1)	(1)	-	-%
Net earnings before income tax	212	338	257	324	766	257	766	509	NM
Tax income /(expense)	(65)	(104)	(78)	(93)	71	(78)	71	149	NM
Net earnings for the period	147	234	179	231	837	179	837	658	NM
Capital expenditure excluding spectrum	190	159	218	192	250	218	250	32	14.7%
Free cash flows excluding spectrum	132	352	164	269	115	164	115	(49)	(29.9%)
Reported EBITDAI margin	27.8%	34.4%	28.5%	33.4%	41.1%	28.5%	41.1%	12.6%	
Reported effective tax rate	30.7%	30.8%	30.4%	28.7%	(9.3%)	30.4%	(9.3%)	(39.7%)	
Capital expenditure to operating revenues and other gains	10.6%	8.8%	11.5%	10.5%	9.9%	11.5%	9.9%	(1.6%)	
Reported basic earnings per share (cents)	8.0	12.5	9.6	12.4	44.7	9.6	44.7	35.1	NM
Reported diluted earnings per share (cents)	8.0	12.5	9.6	12.4	44.6	9.6	44.6	35.0	NM

Group result - adjusted

Spark presents adjusted EBITDAI and adjusted net earnings when the year includes significant items individually greater than \$25 million. H1 FY23 includes the net gain of \$584 million on the sale of Connexa and a one-off provision of \$52 million for Spark Sport. These two items are described in further detail in Note 2 of the Interim Financial Statements. Adjusted EBITDAI and adjusted net earnings are as follows:

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Adjusted operating revenues and other gains	1,796	1,797	1,890	1,830	1,950	1,890	1,950	60	3.2%
Adjusted operating expenses	(1,296)	(1,178)	(1,352)	(1,218)	(1,440)	(1,352)	(1,440)	(88)	(6.5%)
Adjusted EBITDAI	500	619	538	612	510	538	510	(28)	(5.2%)
Finance income	17	17	14	12	16	14	16	2	14.3%
Finance expense	(43)	(38)	(37)	(37)	(43)	(37)	(43)	(6)	(16.2%)
Depreciation and amortisation	(262)	(259)	(257)	(263)	(248)	(257)	(248)	9	3.5%
Net investment income	-	(1)	(1)	-	(1)	(1)	(1)	-	-%
Adjusted net earnings before income tax	212	338	257	324	234	257	234	(23)	(8.9%)
Adjusted income tax expense	(65)	(104)	(78)	(93)	(69)	(78)	(69)	9	11.5%
Adjusted net earnings for the period	147	234	179	231	165	179	165	(14)	(7.8%)
Capital expenditure excluding spectrum	190	159	218	192	250	218	250	32	14.7%
Free cash flows excluding spectrum	132	352	164	269	115	164	115	(49)	(29.9%)
Adjusted EBITDAI margin	27.8%	34.4%	28.5%	33.4%	26.2%	28.5%	26.2%	(2.3%)	
Adjusted effective tax rate	30.7%	30.8%	30.4%	28.7%	29.5%	30.4%	29.5%	(0.9%)	
Capital expenditure to adjusted operating revenues and other gains	10.6%	8.8%	11.5%	10.5%	12.8%	11.5%	12.8%	1.3%	
Adjusted basic earnings per share (cents)	8.0	12.5	9.6	12.4	8.8	9.6	8.8	(0.8)	(8.3%)
Adjusted diluted earnings per share (cents)	8.0	12.5	9.6	12.4	8.8	9.6	8.8	(0.8)	(8.3%)

Spark New Zealand

Gross margin by product

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Mobile	407	430	437	467	477	437	477	40	9.2%
Voice	87	93	86	79	71	86	71	(15)	(17.4%)
Broadband	166	173	166	152	149	166	149	(17)	(10.2%)
Cloud, security and service management	179	179	176	167	160	176	160	(16)	(9.1%)
Procurement and partners	20	23	26	27	27	26	27	1	3.9%
Managed data, network and services	72	73	65	72	64	65	64	(1)	(1.5%)
Other product	28	42	33	47	49	33	49	16	48.5%
Total product gross margin	959	1,013	989	1,011	997	989	997	8	0.8%
Other gains	4	24	16	10	588	16	588	572	NM
Total gross margin	963	1,037	1,005	1,021	1,585	1,005	1,585	580	57.7%

Connections

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Mobile connections ¹	2,431	2,421	2,445	2,503	2,629	2,445	2,629	184	7.5%
Voice connections by type ²									
POTS and ISDN ³	215	187	159	132	107	159	107	(52)	(32.7%)
VoIP	69	69	69	66	60	69	60	(9)	(13.0%)
Voice over wireless	23	24	20	17	14	20	14	(6)	(30.0%)
	307	280	248	215	181	248	181	(67)	(27.0%)
Broadband connections by technology									
Copper	157	131	113	95	79	113	79	(34)	(30.1%)
Fibre	381	395	402	415	423	402	423	21	5.2%
Wireless ⁴	166	178	187	194	202	187	202	15	8.0%
	704	704	702	704	704	702	704	2	0.3%
IoT connections	372	476	623	832	1,160	623	1,160	537	86.2%

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).

³ Prior year connection numbers have been restated to reflect updated POTS connection numbers.

⁴ FY21 wireless broadband connections have been restated to include data only connections of 2,394.

Group FTE's

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
FTE permanent	4,961	4,889	4,921	4,924	4,976	4,921	4,976	55	1.1%
FTE contractors	121	150	190	208	182	190	182	(8)	(4.2%)
Total FTE	5,082	5,039	5,111	5,132	5,158	5,111	5,158	47	0.9%

Dividends

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
Ordinary dividends (cents per share)	12.50	12.50	12.50	12.50	13.50	12.50	13.50	1.00	8.0%
Special dividends (cents per share)	-	-	-	-	-	-	-	-	-%
	12.50	12.50	12.50	12.50	13.50	12.50	13.50	1.00	8.0%

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Group operating revenues and other gains

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues									
Mobile									
Service revenue	420	432	441	458	480	441	480	39	8.8%
Non-service revenue	231	228	237	215	252	237	252	15	6.3%
	651	660	678	673	732	678	732	54	8.0%
Voice									
Access	62	67	57	52	45	57	45	(12)	(21.1%)
Calling	71	67	70	68	59	70	59	(11)	(15.7%)
Other voice revenue	21	20	19	19	18	19	18	(1)	(5.3%)
	154	154	146	139	122	146	122	(24)	(16.4%)
Broadband ¹	337	333	324	315	313	324	313	(11)	(3.4%)
Cloud, security and service management	217	226	224	222	214	224	214	(10)	(4.5%)
Procurement and partners	236	178	301	237	319	301	319	18	6.0%
Managed data, network and services	140	142	140	143	142	140	142	2	1.4%
Other product revenues ²	57	80	61	91	104	61	104	43	70.5%
Total operating revenues	1,792	1,773	1,874	1,820	1,946	1,874	1,946	72	3.8%
Other gains	4	24	16	10	4	16	4	(12)	(75.0%)
Adjusted operating revenues and other gains	1,796	1,797	1,890	1,830	1,950	1,890	1,950	60	3.2%
Net gain on sale of Connexa	-	-	-	-	584	-	584	584	NM
Total operating revenues and other gains	1,796	1,797	1,890	1,830	2,534	1,890	2,534	644	34.1%

¹ Wireless broadband revenues and connections are included in broadband revenues and connections.

² Other product revenues includes revenues from Consumer, Business, Wholesale and other customer segments.

Operating revenues and other gains by customer segment

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues and other gains									
Consumer	769	779	777	757	797	777	797	20	2.6%
Business	935	897	1,018	952	1,019	1,018	1,019	1	0.1%
Wholesale and other	92	121	95	121	718	95	718	623	NM
	1,796	1,797	1,890	1,830	2,534	1,890	2,534	644	34.1%

Finance income

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Finance income									
Finance lease interest income	6	7	6	3	4	6	4	(2)	(33.3%)
Other interest income	11	10	8	9	12	8	12	4	50.0%
	17	17	14	12	16	14	16	2	14.3%

Net investment income

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Net investment income									
Share of associates' and joint ventures' net losses	-	(1)	(1)	-	(3)	(1)	(3)	(2)	NM
Interest income on loans receivable from associates and joint ventures	-	-	-	-	2	-	2	2	100.0%
	-	(1)	(1)	-	(1)	(1)	(1)	-	-%

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Group operating expenses

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Product costs									
Mobile	244	230	241	206	255	241	255	14	5.8%
Voice	67	61	60	60	51	60	51	(9)	(15.0%)
Broadband	171	160	158	163	164	158	164	6	3.8%
Cloud, security and service management	38	47	48	55	54	48	54	6	12.5%
Procurement and partners	216	155	275	210	292	275	292	17	6.2%
Managed data, network and services	68	69	75	71	78	75	78	3	4.0%
Other product costs	29	38	28	44	55	28	55	27	96.4%
	833	760	885	809	949	885	949	64	7.2%
Labour	256	237	263	232	269	263	269	6	2.3%
Other operating expenses									
Network support costs	44	42	44	21	45	44	45	1	2.3%
Computer costs	51	50	55	56	57	55	57	2	3.6%
Accommodation costs	32	35	30	35	40	30	40	10	33.3%
Advertising, promotions and communication	44	28	34	26	33	34	33	(1)	(2.9%)
Bad debts	(1)	(6)	3	1	4	3	4	1	33.3%
Impairment expense	-	2	2	-	-	2	-	(2)	(100.0%)
Other	37	30	36	38	43	36	43	7	19.4%
	207	181	204	177	222	204	222	18	8.8%
Adjusted operating expenses	1,296	1,178	1,352	1,218	1,440	1,352	1,440	88	6.5%
Spark Sport provision	-	-	-	-	52	-	52	52	NM
Total operating expenses	1,296	1,178	1,352	1,218	1,492	1,352	1,492	140	10.4%

Finance expense

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Finance expense									
Finance expense on long-term debt	21	22	23	22	22	23	22	(1)	(4.3%)
Other interest and finance expense	6	4	4	7	7	4	7	3	75.0%
Lease interest expense	15	11	10	9	15	10	15	5	50.0%
Leased customer equipment interest expense	4	4	3	4	4	3	4	1	33.3%
	46	41	40	42	48	40	48	8	20.0%
Capitalised interest	(3)	(3)	(3)	(5)	(5)	(3)	(5)	(2)	(66.7%)
	43	38	37	37	43	37	43	6	16.2%

Depreciation and amortisation expense

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Depreciation and amortisation expense									
Depreciation - property, plant and equipment	124	118	116	118	114	116	114	(2)	(1.7%)
Depreciation - right-of-use assets	35	42	40	40	36	40	36	(4)	(10.0%)
Depreciation - leased customer equipment assets	19	17	18	19	19	18	19	1	5.6%
Amortisation - intangible assets	84	82	83	86	79	83	79	(4)	(4.8%)
	262	259	257	263	248	257	248	(9)	(3.5%)

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Analysis & KPI's - Mobile

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Mobile revenue by type (Consumer and Business)									
Mobile service revenue	415	427	435	451	472	435	472	37	8.5%
Mobile non-service revenue ¹	223	221	229	205	231	229	231	2	0.9%
	638	648	664	656	703	664	703	39	5.9%
Wholesale and other customer segment mobile revenue ²	13	12	14	17	29	14	29	15	NM
Total mobile revenue	651	660	678	673	732	678	732	54	8.0%
Mobile product costs ³	(244)	(230)	(241)	(206)	(255)	(241)	(255)	(14)	(5.8%)
Mobile gross margin	407	430	437	467	477	437	477	40	9.2%
Mobile gross margin %	62.5%	65.2%	64.5%	69.4%	65.2%	64.5%	65.2%	0.7%	
	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Total mobile revenue by customer segment									
Consumer	438	441	454	444	486	454	486	32	7.0%
Business	200	207	210	212	217	210	217	7	3.3%
Wholesale and other	13	12	14	17	29	14	29	15	NM
	651	660	678	673	732	678	732	54	8.0%
	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	%
Average revenue per user (ARPU) - 6 month active (Consumer and Business)									
Total ARPU	28.51	29.66	30.19	30.84	31.19	30.19	31.19	1.00	3.3%
Pay-monthly ARPU	39.97	40.31	40.17	41.01	41.59	40.17	41.59	1.42	3.5%
Prepaid ARPU	14.36	15.42	16.26	16.47	17.11	16.26	17.11	0.85	5.2%
	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Number of mobile connections at period end - 6 month active (Consumer and Business) ⁴									
Pay-monthly connections	1,355	1,386	1,416	1,437	1,471	1,416	1,471	55	3.9%
Prepaid connections	1,047	1,008	1,001	1,038	1,131	1,001	1,131	130	13.0%
Internal connections	4	4	4	4	4	4	4	-	-%
Total mobile connections	2,406	2,398	2,421	2,479	2,606	2,421	2,606	185	7.6%

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.

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Analysis & KPI's - Voice

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Revenue by type									
Access	62	67	57	52	45	57	45	(12)	(21.1%)
Calling	71	67	70	68	59	70	59	(11)	(15.7%)
Other voice revenue	21	20	19	19	18	19	18	(1)	(5.3%)
Total voice revenue	154	154	146	139	122	146	122	(24)	(16.4%)
Voice product costs ¹	(67)	(61)	(60)	(60)	(51)	(60)	(51)	9	15.0%
Voice gross margin	87	93	86	79	71	86	71	(15)	(17.4%)
Voice gross margin %	56.5%	60.4%	58.9%	56.8%	58.2%	58.9%	58.2%	(0.7%)	

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Voice connections by type²									
POTS and ISDN	215	187	159	132	107	159	107	(52)	(32.7%)
VoIP	69	69	69	66	60	69	60	(9)	(13.0%)
Voice over wireless	23	24	20	17	14	20	14	(6)	(30.0%)
Total voice connections³	307	280	248	215	181	248	181	(67)	(27.0%)

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Voice connections by customer segment									
Consumer	74	77	64	54	46	64	46	(18)	(28.1%)
Business	151	140	134	121	106	134	106	(28)	(20.9%)
Wholesale and other	82	63	50	40	29	50	29	(21)	(42.0%)
Total voice connections³	307	280	248	215	181	248	181	(67)	(27.0%)

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

² Prior year connection numbers have been restated to reflect updated POTS connection numbers.

³ Excludes Cloud Telephony which has been moved to Managed Networks.

Analysis & KPI's - Broadband

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Total broadband revenue	337	333	324	315	313	324	313	(11)	(3.4%)
Broadband product costs ⁴	(171)	(160)	(158)	(163)	(164)	(158)	(164)	(6)	(3.8%)
Broadband gross margin	166	173	166	152	149	166	149	(17)	(10.2%)
Broadband gross margin %	49.3%	52.0%	51.2%	48.3%	47.6%	51.2%	47.6%	(3.6%)	

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Broadband connections by technology									
Copper	157	131	113	95	79	113	79	(34)	(30.1%)
Fibre	381	395	402	415	423	402	423	21	5.2%
Wireless	166	178	187	194	202	187	202	15	8.0%
Total broadband connections	704	704	702	704	704	702	704	2	0.3%

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	000's	000's	000's	000's	000's	000's	000's	000's	%
Broadband connections by customer segment									
Consumer	598	595	593	595	594	593	594	1	0.2%
Business	103	105	105	104	104	105	104	(1)	(1.0%)
Wholesale and other	3	4	4	5	6	4	6	2	50.0%
Total broadband connections	704	704	702	704	704	702	704	2	0.3%

⁴ Includes broadband access (UBA/UCLL/Fibre), modem and e-mail platform support costs.

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Analysis & KPI's - Cloud, security and service management

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Cloud revenue	113	116	119	114	116	119	116	(3)	(2.5%)
Security revenue	19	20	18	19	18	18	18	-	-
Service management revenue	85	90	87	89	80	87	80	(7)	(8.0%)
Cloud, security and service management revenue	217	226	224	222	214	224	214	(10)	(4.5%)
Cloud, security and service management product costs	(38)	(47)	(48)	(55)	(54)	(48)	(54)	(6)	(12.5%)
Cloud, security and service management gross margin	179	179	176	167	160	176	160	(16)	(9.1%)
Cloud, security and service management gross margin %	82.5%	79.2%	78.6%	75.2%	74.8%	78.6%	74.8%	(3.8%)	
Contribution margin (approximated) % ¹	34.6%	38.5%	34.8%	37.4%	32.7%	34.8%	32.7%	(2.1%)	
Cloud KPIs	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
Number of private cloud clients ²	329	359	346	346	340	346	340	(6)	(1.7%)
Number of public cloud clients	304	335	335	353	295	335	295	(40)	(11.9%)
Power usage efficiency for dedicated data-centre sites	1.50	1.48	1.49	1.50	1.50	1.49	1.50	0.01	0.7%
Megawatt hours for dedicated data centre sites	22,091	22,874	21,664	22,181	22,212	21,664	22,212	548	2.5%
Security KPIs	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
Number of security clients ²	1,153	1,174	1,110	1,107	1,043	1,110	1,043	(67)	(6.0%)
Average monthly revenue per security client	2,746	2,839	2,703	2,861	2,876	2,703	2,876	173	6.4%
Service management KPIs	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
Number of service management clients ²	671	694	712	688	670	712	670	(42)	(5.9%)
Average monthly revenue per service management client	21,113	21,614	20,365	21,560	19,900	20,365	19,900	(465)	(2.3%)

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.

² The client count measures for private cloud, security and service management have been retrospectively updated following improvements in the classification of clients that consume more than one variant of a service across the Spark Group.

Analysis & KPI's - Procurement and partners

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Procurement and partners revenue	236	178	301	237	319	301	319	18	6.0%
Procurement and partners product costs	(216)	(155)	(275)	(210)	(292)	(275)	(292)	(17)	(6.2%)
Procurement and partners gross margin	20	23	26	27	27	26	27	1	3.8%
Procurement and partners gross margin %	8.5%	13.0%	8.6%	11.4%	8.5%	8.6%	8.5%	(0.1%)	

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

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Collaboration	33	35	38	40	39	38	39	1	2.6%
Managed data and networks	107	107	102	103	103	102	103	1	1.0%
Managed data, network and services revenue	140	142	140	143	142	140	142	2	1.4%
Managed data, network and services product costs ³	(68)	(69)	(75)	(71)	(78)	(75)	(78)	(3)	(4.0%)
Managed data, network and services gross margin	72	73	65	72	64	65	64	(1)	(1.5%)
Managed data, network and services gross margin %	51.4%	51.4%	46.4%	50.3%	45.1%	46.4%	45.1%	(1.3%)	

³ Includes wide area network access, international data, network backhaul and videoconferencing platform costs.

Spark New Zealand

Statement of cash flows

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Cash flows from operating activities									
Receipts from customers	1,828	1,719	1,901	1,755	1,975	1,901	1,975	74	3.9%
Receipts from interest	16	16	13	11	16	13	16	3	23.1%
Payments to suppliers and employees	(1,321)	(1,137)	(1,327)	(1,279)	(1,460)	(1,327)	(1,460)	(133)	(10.0%)
Payments for income tax	(118)	(70)	(93)	(67)	(120)	(93)	(120)	(27)	(29.0%)
Payments for interest on debt	(23)	(23)	(23)	(25)	(23)	(23)	(23)	-	-%
Payments for interest on leases	(16)	(10)	(10)	(9)	(15)	(10)	(15)	(5)	(50.0%)
Payments for interest on leased customer equipment assets	(4)	(4)	(3)	(3)	(4)	(3)	(4)	(1)	(33.3%)
Net cash flows from operating activities	362	491	458	383	369	458	369	(89)	(19.4%)
Cash flows from investing activities									
Proceeds from sale of property, plant and equipment	-	6	-	-	1	-	1	1	NM
Proceeds from sale of business	8	22	-	-	894	-	894	894	NM
Proceeds from long-term investments	-	6	3	1	-	3	-	(3)	(100.0%)
Receipts from finance leases	2	4	2	1	1	2	1	(1)	(50.0%)
Receipts from loans receivable	-	1	-	-	-	-	-	-	NM
Payments for purchase of businesses net of cash acquired	-	(25)	-	(7)	-	-	-	-	NM
Payments for, and advances to, long-term investments	(4)	(9)	(39)	(20)	(2)	(39)	(2)	37	94.9%
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum) and capacity	(212)	(118)	(216)	(209)	(246)	(216)	(246)	(30)	(13.9%)
Payments for spectrum intangible assets	-	(51)	-	-	-	-	-	-	NM
Payments for capitalised interest	(3)	(3)	(3)	(5)	(5)	(3)	(5)	(2)	(66.7%)
Net cash flows from investing activities	(209)	(167)	(253)	(239)	643	(253)	643	896	NM
Cash flows from financing activities									
Net (repayments of)/proceeds from debt	100	(138)	99	115	(517)	99	(517)	(616)	NM
Payments for dividends	(167)	(163)	(225)	(224)	(234)	(225)	(234)	(9)	(4.0%)
Payments for leases	(20)	(36)	(33)	(36)	(31)	(33)	(31)	2	6.1%
Payments for leased customer equipment assets	(16)	(18)	(25)	(21)	(15)	(25)	(15)	10	40.0%
Net cash flows from financing activities	(103)	(355)	(184)	(166)	(797)	(184)	(797)	(613)	NM
Net cash flows	50	(31)	21	(22)	215	21	215	194	NM
Opening cash position	53	103	72	93	71	72	71	(1)	(1.4%)
Closing cash position	103	72	93	71	286	93	286	193	NM

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

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
EBITDAI	500	619	538	612	1,042	538	1,042	504	93.7%
<i>Excluding</i>									
Other gains and impairments	4	22	14	10	536	14	536	522	NM
EBITDAI ex. other gains and impairments	496	597	524	602	506	524	506	(18)	(3.4%)
<i>Less</i>									
Cash paid on maintenance capital expenditure	185	104	188	184	200	188	200	12	6.4%
Cash paid on interest	27	21	23	26	26	23	26	3	13.0%
Cash paid on tax payments	118	70	93	67	120	93	120	27	29.0%
Cash paid on leases	34	50	56	56	45	56	45	(11)	(19.6%)
Total cash payments on capital expenditure, interest, tax and lease	364	245	360	333	391	360	391	31	8.6%
Free cash flow¹	132	352	164	269	115	164	115	(49)	(29.9%)
Change in working capital									
Change in receivables	(92)	104	(42)	104	(59)	(42)	(59)	(17)	(40.5%)
Change in payables	61	(45)	(63)	78	3	(63)	3	66	NM
Change in inventory	(11)	(20)	29	14	1	29	1	(28)	(96.6%)
Change in contract assets	(11)	(2)	(5)	3	3	(5)	3	8	NM
Change in prepayments (excluding CAPEX)	12	(27)	37	(37)	22	37	22	(15)	(40.5%)
Total change in working capital - increase/(decrease)	(41)	10	(44)	162	(30)	(44)	(30)	14	31.8%
<i>Cash conversion</i>	<i>102%</i>	<i>97%</i>	<i>110%</i>	<i>79%</i>	<i>102%</i>	<i>110%</i>	<i>102%</i>	<i>-8%</i>	<i>(7.1%)</i>

¹ As reported in H2 FY22 the free cash flow has been redefined from FY23 to minimise the impact of short-term working capital volatility and to support incremental growth capital expenditure. Comparative periods have been updated to reflect the new definition.

Spark New Zealand

Group capital expenditure

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Maintenance Capex									
Cloud	9	11	7	8	11	7	11	4	57.1%
Converged Communications Network (CCN)	15	12	11	11	16	11	16	5	45.5%
International cable construction and capacity purchases	1	8	1	6	-	1	-	(1)	(100.0%)
IT systems	64	53	87	63	62	87	62	(25)	(28.7%)
Mobile network	58	48	62	38	69	62	69	7	11.3%
Core sustain and resiliency	34	21	26	27	36	26	36	10	38.5%
Other	9	5	3	4	6	3	6	3	100.0%
Total maintenance capital expenditure excluding spectrum	190	158	197	157	200	197	200	3	1.5%
Growth Capex									
5G acceleration	-	-	12	13	-	12	-	(12)	(100.0%)
Data centres	-	1	9	22	50	9	50	41	NM
Total growth capital expenditure excluding spectrum	-	1	21	35	50	21	50	29	NM
Total capital expenditure excluding spectrum	190	159	218	192	250	218	250	32	14.7%
Total capital expenditure excluding spectrum to operating revenue and other gains	10.6%	8.8%	11.5%	10.5%	9.9%	11.5%	9.9%		
Total capital expenditure excluding spectrum to adjusted operating revenue and other gains	10.6%	8.8%	11.5%	10.5%	12.8%	11.5%	12.8%		
Mobile spectrum	-	51	-	-	-	-	-	-	NM
Total capital expenditure including spectrum	190	210	218	192	250	218	250	32	14.7%
Total capital expenditure including spectrum to operating revenue and other gains	10.6%	11.7%	11.5%	10.5%	9.9%	11.5%	9.9%		
Total capital expenditure including spectrum to adjusted operating revenue and other gains	10.6%	11.7%	11.5%	10.5%	12.8%	11.5%	12.8%		

Capital expenditure is the additions to property, plant and equipment and intangible assets (excluding goodwill, acquisitions and other non-cash additions that may be required by NZ IFRS, such as decommissioning costs) and additions to capacity right-of-use assets where such additions are paid upfront.

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 intangible assets is reconciled below:

	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22 vs H1 FY23	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Depreciation - property, plant and equipment	124	118	116	118	114	116	114	(2)	(2.0%)
Depreciation - right-of-use assets ¹	11	11	11	11	11	11	11	-	NM
Amortisation - intangible assets	84	82	83	86	79	83	79	(4)	(4.8%)
Total capital expenditure depreciation and amortisation	219	211	210	215	204	210	204	(6)	(2.9%)

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