



MARKET RELEASE

19 February 2020

Spark New Zealand Limited H1 FY20 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 FY20 results:

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

Spark New Zealand's Chief Executive, Jolie Hodson, and Chief Financial Officer, Stefan Knight, will discuss the H1 FY20 Results at 10:00am New Zealand time today.

ASX Appendix 3A.1 will follow this release.

- ENDS -

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MARKET RELEASE

19 February 2020

Spark New Zealand delivers strongest revenue growth in three years

- **Stand-out performance in mobile, securing 5.5% growth in high-margin mobile service revenue**
- **Continued growth in cloud, security and service management**
- **Tightened focus on core through divestment of Lightbox and CCL's network assets and merger of cloud and ICT businesses Revera and CCL**
- **Completed a substantial capacity upgrade across Spark's wireless network**
- **Customer and culture performance metrics continue to climb off the back of the Company's shift to Agile ways-of-working and long-term investment in IT and network infrastructure**

Spark New Zealand today announced revenue growth of 4.0% to \$1,824 million for the half year to 31 December 2019. This was achieved through particularly strong performance in mobile, with high-margin mobile service revenue up 5.5%, translating to a market share increase of 1.2pp to 40.1%¹ – its highest level since 2012.

Revenues were also buoyed by cloud, security and service management growth (up 12.3%), the introduction of Spark Sport and a moderation in the rate of legacy voice declines (down 11.6%), as fixed-line voice becomes a smaller part of the business.

Operating expenses increased as the benefit of cost-out activities were reinvested to partially fund current and future revenue growth. This included the launch of cloud and business transformation consultancy Leaven, the growth of Spark Sport, the acquisition of Now Consulting as part of data analytics business Qrious and the launch of emerging technology business, Matr.

Reported EBITDAI² grew 2.2% to \$500 million, driven by strong revenue growth momentum and a determined focus on execution and cost management.

Net profit after tax grew 9.2% to \$167 million, primarily driven by growth in EBITDAI and lower depreciation and amortisation expense.

Spark Chair Justine Smyth said the Company's shift to Agile ways-of-working and its long-term investment in IT and network infrastructure was delivering better experiences for its customers and people and supporting robust performance.

"We are heading into the final six months of a three-year strategy that has been transformative for Spark. Our move to Agile ways-of-working continues, with ongoing incremental gains in our speed to market, customer understanding and focus, and in building a high performance and inclusive culture.

"We have made significant investments in Spark's network infrastructure, which has improved our competitive advantage, and diversified our business beyond traditional telecommunications into growth segments like digital services and sports streaming.

¹ Market share estimates vs. prior year, sourced from IDC

² Earnings before interest, tax, depreciation, amortisation and investment income



“It is pleasing to see this hard work translating into improved customer experiences. Our customer satisfaction scores are already ahead of full-year targets and fewer customers are needing to contact us to troubleshoot, with total customer care interactions³ down 15% over the last 12 months,” said Justine.

CEO Jolie Hodson said Spark had strong market momentum and was making good progress delivering a wireless future for New Zealand.

“We are heading into the second half with great momentum and some stand-out performances across our core segments.

“We outperformed our growth targets in mobile, with a shift to unlimited and high value plans. We made a deliberate decision to limit wireless broadband sales in the lead up to the Rugby World Cup, as a conservative measure to ensure customers had a great viewing experience while we introduced our new streaming service. Our capacity was more than sufficient, so we expect this to be a one-off and connection growth to return to trend in the second half.

“We were the first-to-market rolling out 5G services in heartland New Zealand, and our longer-term rollout plans will benefit from the early auction of spectrum, with the process due to start in March 2020. 5G will be a big part of how we will continue to create a wireless future for New Zealand, and we have some exciting projects in the pipeline for 2020, including our support of Emirates Team New Zealand.

“We have also tightened our focus on our core business by finalising the divestment of Lightbox and CCL’s network assets and completing the merger of our cloud and ICT businesses Revera and CCL.

“This groundwork stands us in good stead as we work to close out the financial year and look ahead to the next three years,” said Jolie.

Spark will release details of its next three-year strategy, encompassing the period out to and including FY23, at an Investor Day on 2 April 2020. The evolved strategy will build on the momentum and foundational capabilities the Company has established through the successful execution of its current strategy.

Spark announced an H1 FY20 total dividend per share of 12.5 cents, 75% imputed. Subject to no adverse change in operating outlook full-year FY20 EBITDAI, capital expenditure and dividend guidance remains unchanged; including FY20 dividend per share guidance of 25.0 cents, at least 75% imputed.

ENDS

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³ Total customer care interactions include voice, chat and virtual assistant interactions.



Interim Financial Statements
for the six months ended 31 December 2019



INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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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 2019.

Statement of profit or loss and other comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER

		2019	2018
		UNAUDITED	UNAUDITED
	NOTE	\$M	\$M
Operating revenues and other gains		1,824	1,754
Operating expenses		(1,324)	(1,265)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)		500	489
Finance income		18	18
Finance expense		(46)	(40)
Depreciation and amortisation		(234)	(245)
Net investment income		(1)	-
Net earnings before income tax	3	237	222
Income tax expense		(70)	(69)
Net earnings for the period		167	153
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		13	87
<i>Items that may be reclassified to profit or loss:</i>			
Cash flow hedges net of tax		1	(18)
Other comprehensive income for the period		14	69
Total comprehensive income for the period		181	222
Earnings per share			
Basic and diluted earnings per share (cents)		9.1	8.3
Weighted average ordinary shares (millions)		1,837	1,836
Weighted average ordinary shares and options (millions)		1,838	1,836

See accompanying notes to the interim financial statements.

Statement of financial position

		AS AT 31 DECEMBER 2019 UNAUDITED \$M	AS AT 30 JUNE 2019 AUDITED \$M
	NOTES		
Current assets			
Cash		54	54
Short-term receivables and prepayments		768	755
Short-term derivative assets		-	2
Inventories		127	100
Assets classified as held for sale	2	28	-
Total current assets		977	911
Non-current assets			
Long-term receivables and prepayments		297	291
Long-term derivative assets		28	32
Long-term investments	5	225	182
Right-of-use assets		625	625
Leased customer equipment assets		72	55
Property, plant and equipment		1,037	1,012
Intangible assets		1,015	987
Total non-current assets		3,299	3,184
Total assets		4,276	4,095
Current liabilities			
Short-term payables, accruals and provisions		440	447
Taxation payable		9	19
Short-term derivative liabilities		19	14
Short-term lease liabilities		32	31
Debt due within one year	6	424	433
Liabilities classified as held for sale	2	3	-
Total current liabilities		927	944
Non-current liabilities			
Long-term payables, accruals and provisions		92	68
Long-term derivative liabilities		118	111
Long-term lease liabilities		468	459
Long-term debt	6	1,164	962
Deferred tax liabilities		87	86
Total non-current liabilities		1,929	1,686
Total liabilities		2,856	2,630
Equity			
Share capital		949	945
Reserves		(396)	(409)
Retained earnings		867	929
Total equity		1,420	1,465
Total liabilities and equity		4,276	4,095

See accompanying notes to the interim financial statements.

On behalf of the Board



Justine Smyth, Chair

Authorised for issue on 19 February 2020



Jolie Hodson, Chief Executive

Statement of changes in equity

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

SIX MONTHS ENDED 31 DECEMBER 2018 UNAUDITED	SHARE CAPITAL \$M	RETAINED EARNINGS \$M	HEDGE RESERVE \$M	SHARE- BASED COMPEN- SATION RESERVE \$M	RE- VALUATION RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	TOTAL \$M
Balance at 1 July 2018	941	979	(26)	2	(390)	(23)	1,483
Net earnings for the period	-	153	-	-	-	-	153
Other comprehensive income/(loss)	-	-	(18)	-	87	-	69
Total comprehensive income/(loss) for the period	-	153	(18)	-	87	-	222
Contributions by, and distributions to, owners:							
Dividends	-	(229)	-	-	-	-	(229)
Supplementary dividends	-	(21)	-	-	-	-	(21)
Tax credit on supplementary dividends	-	21	-	-	-	-	21
Issuance of shares under share schemes	1	-	-	(1)	-	-	-
Total transactions with owners	1	(229)	-	(1)	-	-	(229)
Balance at 31 December 2018	942	903	(44)	1	(303)	(23)	1,476

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

	NOTE	2019 UNAUDITED \$M	2018 UNAUDITED \$M
Cash flows from operating activities			
Receipts from customers		1,861	1,770
Receipts from interest		17	18
Payments to suppliers and employees		(1,396)	(1,314)
Payments for income tax		(82)	(44)
Payments for interest on debt		(26)	(22)
Payments for interest on leases		(14)	(13)
Payments for interest on leased customer equipment assets		(3)	(2)
Net cash flows from operating activities	7	357	393
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		13	-
Payments for purchase of business		(11)	-
Payments for, and advances to, long-term investments		(30)	(6)
Payments for purchase of property, plant and equipment, intangibles and capacity		(273)	(258)
Payments for capitalised interest		(4)	(3)
Net cash flows from investing activities		(305)	(267)
Cash flows from financing activities			
Net proceeds from debt		207	182
Receipts from finance leases		2	3
Payments for dividends		(229)	(229)
Payments for leases		(19)	(19)
Payments for leased customer equipment assets		(13)	(8)
Net cash flows from financing activities		(52)	(71)
Net cash flow		-	55
Opening cash position		54	55
Closing cash position		54	110

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 2019.

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

Basis of preparation

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

The accounting policies adopted are consistent with those followed in the preparation of Spark's annual financial statements for the year ended 30 June 2019. 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 2019 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2019.

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

At 31 December 2019, capital expenditure amounting to \$249 million (31 December 2018: \$161 million) had been committed under contractual arrangements.

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 2019:

Debt programme

- On 18 September 2019 Spark issued A\$125 million of unsecured fixed rate bonds with a coupon rate of 2.60%, maturing on 18 March 2030.
- On 25 October 2019 \$250 million of unsecured fixed rate bonds with a coupon rate of 5.25% matured.

Capital expenditure

- Spark's additions to property, plant and equipment and intangible assets were \$247 million, details of which are available in a separate detailed financials file on the investor section of our website at: investors.sparknz.co.nz/investor-centre.

Dividends

- Dividends paid during the six month period ended 31 December 2019 in relation to the H2 FY19 second-half dividend (ordinary dividend of 11 cents per share and special dividend of 1.5 cents per share) totalled \$229 million or 12.5 cents per share.

Acquisitions

- On 5 September 2019 Spark's subsidiary Qrious Limited completed the acquisition of NOW Consulting, the New Zealand-based data consulting division of WhereScape Software, which gives Qrious a unique data and analytics offering in the New Zealand market.

Southern Cross NEXT cable

- On 1 October 2019 Spark announced that agreements had been signed for the build of the Southern Cross NEXT undersea data cable (SX NEXT). SX NEXT has been developed as an extension of the existing Southern Cross Cable Network (Southern Cross) and when completed is expected to be the lowest latency path from Australia and New Zealand to the

United States. The transaction completed on 3 October 2019 and the build of SX NEXT has commenced.

- The transaction has resulted in Telstra becoming a 25% shareholder of the Southern Cross and an anchor customer of SX NEXT. As a consequence of Telstra becoming a shareholder, Spark's shareholding in Southern Cross will be diluted from 50% to approximately 40%.
- Spark expects to contribute a total of between \$70 million and \$90 million of equity across FY20, FY21 and FY22, depending on the level of SX NEXT pre-sales that are secured.
- No dividends were received from Southern Cross during the period. Dividend receipts from Southern Cross are expected to resume from FY22.

Assets held for sale

- On 19 December 2019 Spark announced it had entered into a conditional agreement to sell its entertainment streaming business Lightbox New Zealand Limited (Lightbox) to Sky Network Television Limited. The assets and liabilities of Lightbox have been reclassified as held for sale in the statement of financial position as at 31 December 2019. The transaction completed on 31 January 2020.
- On 5 December 2019 Computer Concepts Limited (CCL), Spark's wholly owned provider of cloud and ICT services, signed a conditional agreement to divest the operational parts of its network services division (which are duplicated elsewhere in the group) in a buy-out by a member of the CCL management team. The assets and liabilities of CCL's network services division have been reclassified as held for sale in the statement of financial position as at 31 December 2019. The transaction completed on 31 January 2020.

Notes to the interim financial statements

NOTE 3 Segment information

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

Comparative segment results

Spark has reclassified the comparative segment results to reflect minor changes in the management of videoconferencing and other collaboration services from voice to other managed services.

FOR THE SIX MONTHS ENDED 31 DECEMBER	2019			2018		
	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN
	\$M	\$M	\$M	\$M	\$M	\$M
UNAUDITED						
Mobile	653	(248)	405	622	(246)	376
Voice	199	(75)	124	225	(82)	143
Broadband	345	(170)	175	344	(176)	168
Cloud, security and service management	219	(43)	176	195	(32)	163
Procurement and partners	208	(187)	21	191	(173)	18
Other managed services	121	(56)	65	121	(55)	66
Other	75	(60)	15	56	(31)	25
Segment result	1,820	(839)	981	1,754	(795)	959

Notes to the interim financial statements

NOTE 3 Segment information (continued)

Reconciliation from segment result to consolidated net earnings before income tax

SIX MONTHS ENDED 31 DECEMBER	2019	2018
UNAUDITED	\$M	\$M
Segment product margin	981	959
Other gains	4	-
Labour	(267)	(250)
Other operating expenses		
Network support costs	(35)	(37)
Computer costs	(49)	(46)
Accommodation costs	(33)	(37)
Advertising, promotions and communication	(47)	(47)
Bad debts	(7)	(6)
Impairment expense	-	(5)
Other	(47)	(42)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	500	489
Finance income		
Finance lease interest income	7	7
Other interest income	11	11
Finance expense		
Finance expense on long-term debt	(31)	(27)
Capitalised interest	4	4
Other interest and finance expenses	(1)	-
Lease interest expense	(15)	(15)
Leased customer equipment interest expense	(3)	(2)
Depreciation and amortisation expense		
Depreciation - property, plant and equipment	(119)	(128)
Depreciation - right-of-use assets	(28)	(25)
Depreciation - leased customer equipment assets	(15)	(9)
Amortisation of intangibles	(72)	(83)
Net investment income		
Share of associates' and joint ventures' net losses	(1)	-
Net earnings before income tax	237	222

Notes to the interim financial statements

NOTE 4 Non-GAAP measures

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

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

expenses and impairments) greater than \$25 million. There are no adjusting items for the six months ended 31 December 2019 or 31 December 2018.

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

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

SIX MONTHS ENDED 31 DECEMBER	2019	2018
UNAUDITED	\$M	\$M
Net earnings for the period reported under NZ IFRS	167	153
Less: finance income	(18)	(18)
Add back: finance expense	46	40
Add back: depreciation and amortisation	234	245
Add back: net investment income	1	-
Add back: income tax expense	70	69
EBITDAI	500	489

Notes to the interim financial statements

NOTE 5 Long-term investments

	AS AT	AS AT
	31 DECEMBER	30 JUNE
	2019	2019
	UNAUDITED	AUDITED
	\$M	\$M
Shares in Hutchison	169	156
Investment in associates and joint ventures	48	21
Other long-term investments	8	5
	225	182

Spark holds a 10% interest in Hutchison Telecommunications Australia Limited (Hutchison) which is quoted on the Australian Securities Exchange (ASX) and measures its fair value using its observable market share price as quoted on the ASX, classified as being within level 1 of the fair value hierarchy. As at 31 December 2019 the quoted price of Hutchison's shares on the ASX was A\$0.120 (30 June 2019: A\$0.110). The change in fair value is recognised in other comprehensive income.

Subsequent to balance date, on 13 February 2020, the Federal Court of Australia ruled to allow the proposed merger between Vodafone Hutchison Australia Pty Limited and TPG Telecom Limited. The quoted price of Spark's investment in Hutchison (a shareholder of Vodafone Hutchison Australia Pty Limited) increased materially following this announcement and on 17 February 2020 was A\$0.152. The fair value of Spark's investment in Hutchison based on this price would be \$215 million, an increase of \$46 million from 31 December 2019.

Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 31 December 2019 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Connect 8 Limited	Joint Venture	New Zealand	50%	Fibre network construction
Lightbox Sport General Partner Limited	Joint Venture	New Zealand	50%	A holding company
NOW New Zealand Limited	Associate	New Zealand	37%	Internet service provider
Pacific Carriage Holdings Limited	Associate	Bermuda	38%	A holding company
Pacific Carriage Holdings Limited Inc	Associate	United States	35%	A holding company
PropertyNZ Limited (homes.co.nz)	Associate	New Zealand	23%	Property data website
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	35%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

Notes to the interim financial statements

NOTE 6 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT 31 DECEMBER 2019	AS AT 30 JUNE 2019
				UNAUDITED \$M	AUDITED \$M
Short-term debt					
Short-term borrowings		Variable	< 1 month	41	-
Commercial paper		Variable	< 4 months	199	150
				240	150
Bank funding					
Westpac New Zealand Limited	200 million NZD	Variable	30/11/2020	150	-
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	100	40
MUFG Bank, Ltd	125 million NZD	Variable	30/11/2022	125	100
				375	140
Domestic notes					
250 million NZD		5.25%	25/10/2019	-	250
100 million NZD		4.50%	25/03/2022	102	103
100 million NZD		4.51%	10/03/2023	106	107
125 million NZD		3.37%	07/03/2024	130	130
125 million NZD		3.94%	07/09/2026	131	131
				469	721
Foreign currency Medium Term Notes					
Euro Medium Term Notes - 18 million GBP		5.75%	06/04/2020	34	33
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	172	173
Norwegian Medium Term Notes - 1 billion NOK		3.07%	19/03/2029	169	178
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	129	-
				504	384
				1,588	1,395
Debt due within one year				424	433
Long-term debt				1,164	962

On 18 September 2019 Spark issued A\$125 million of unsecured fixed rate bonds with a coupon rate of 2.60%, maturing on 18 March 2030.

There have been no other changes in Spark's short-term financing programmes or stand-by facilities since 30 June 2019. Changes in long-term financing are disclosed in Note 2 page 8 of these interim financial statements.

Notes to the interim financial statements

NOTE 6 Debt (continued)

Net debt

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

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

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

	AS AT 31 DECEMBER 2019 UNAUDITED \$M	AS AT 30 JUNE 2019 AUDITED \$M
Cash	(54)	(54)
Short-term debt at face value	240	150
Long-term debt at face value	1,315	1,205
Net debt at face value	1,501	1,301
To retranslate debt balances at swap rates where hedged by currency swaps	25	15
Net debt at hedged rates¹	1,526	1,316
<i>Non-cash adjustments</i>		
Impact of fair value hedge adjustments ²	31	31
Unamortised discount	(1)	-
Net debt at carrying value	1,556	1,347

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

2 Fair value hedge adjustments arise on domestic notes 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 7 Reconciliation of net earnings to net cash flows from operating activities

SIX MONTHS ENDED 31 DECEMBER	2019	2018
UNAUDITED	\$M	\$M
Net earnings for the period	167	153
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	234	245
Bad and doubtful accounts	9	9
Deferred income tax	(3)	(6)
Share of associates' and joint ventures' net losses	1	-
Impairments	-	5
Other gains	(4)	-
Other	5	(1)
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	19	(42)
Movement in inventories	(41)	(32)
Movement in current taxation	(9)	30
Movement in payables and related items	(21)	32
Net cash flows from operating activities	357	393

Notes to the interim financial statements

NOTE 8 Dividends

On 19 February 2020 the Board approved the payment of a first half ordinary dividend of 12.5 cents per share or approximately \$230 million. The dividend will be 75% imputed in line with the corporate income tax rate. In addition, supplementary dividends totalling approximately \$19 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 FY20
	ORDINARY DIVIDENDS
Dividends declared	
Ordinary shares	12.5 cents
American Depositary Shares ¹	40.27 US cents
Imputation	
Percentage imputed	75%
Imputation credits per share	3.6458 cents
Supplementary dividend per share ²	1.6544 cents
'Ex' dividend dates	
New Zealand Stock Exchange	12/03/20
Australian Securities Exchange	12/03/20
American Depositary Shares	12/03/20
Record dates	
New Zealand Stock Exchange	13/03/20
Australian Securities Exchange	13/03/20
American Depositary Shares	13/03/20
Payment dates	
New Zealand and Australia	3/04/20
American Depositary Shares	17/04/20

1 For H1 FY20, these are based on the exchange rate at 17 February 2020 of NZ\$1 to US\$0.6443 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.



Independent Review Report

To the shareholders of Spark New Zealand Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 3 to 16 do not:

- i. Present fairly in all material respects the group's financial position as at 31 December 2019 and its financial performance and cash flows for the six month period ended on that date; and
- ii. comply with NZ IAS 34 *Interim Financial Reporting*.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Spark New Zealand Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the group in relation to regulatory audit, other assurance related services (such as trustee reporting) and compliance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as reviewer of the group. The firm has no other relationship with, or interest in, the group.



Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent 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 shareholders as a body for our review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 *Interim Financial Reporting*;
- implementing necessary internal controls to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the interim consolidated financial statements

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

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). Accordingly we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG
Wellington

19 February 2020

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Company secretary

Silvana Roest

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Results announcement

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

Results for announcement to the market		
Name of issuer	Spark New Zealand Limited	
Reporting Period	6 months to 31 December 2019	
Previous Reporting Period	6 months to 31 December 2018	
Currency	NZD - New Zealand Dollar	
	Amount (000s)	Percentage change
Revenue from continuing operations	NZD\$1,824,000	4.0%
Total Revenue	NZD\$1,824,000	4.0%
Net profit/(loss) from continuing operations	NZD\$167,000	9.2%
Total net profit/(loss)	NZD\$167,000	9.2%
Interim/Final Dividend		
Amount per Quoted Equity Security	NZD\$0.12500000 (comprised only of an ordinary dividend)	
Imputed amount per Quoted Equity Security	NZD\$0.03645833 (comprised only of an ordinary dividend)	
Record Date	13 March 2020	
Dividend Payment Date	3 April 2020	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	As at 31 December 2019: NZD\$0.22	As at 31 December 2018: NZD\$0.26
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	Dean Werder, Finance Lead Partner - Product and Performance	
Contact phone number	+64 272597176	
Contact email address	investor-info@spark.co.nz	
Date of release through MAP	19 February 2020	

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\$500,000	2.2%



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	13 March 2020		
Ex-Date (one business day before the Record Date)	12 March 2020		
Payment date (and allotment date for DRP)	3 April 2020 AUST & NZ; 17 April 2020 USA		
Total monies associated with the distribution	NZD\$229,630,618 (1,837,044,943 shares @ \$0.125 per share)		
Source of distribution (for example, retained earnings)	Retained earnings		
Currency	NZD - New Zealand Dollar		
Section 2: Distribution amounts per financial product			
Gross distribution	NZD\$0.16145833		
Gross taxable amount	NZD\$0.16145833		
Total cash distribution	NZD\$0.12500000		
Excluded amount (applicable to listed PIEs)	N/A		
Supplementary distribution amount	NZD\$0.01654412		
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	23%		
Imputation tax credits per financial product	NZD\$0.03645833		

Resident Withholding Tax per financial product	NZD\$0.01682292	
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	Dean Werder, Finance Lead Partner - Product and Performance	
Contact phone number	+64 272597176	
Contact email address	investor-info@spark.co.nz	
Date of release through MAP	19 February 2020	



Spark^{nz}

Spark New Zealand H1 FY20 Results Summary

Jolie Hodson, Chief Executive Officer
Stefan Knight, Finance Director

Result Highlights

Relentless focus on delivery and execution driving strong financial performance and market momentum. Resulting in highest revenue growth in three years, up \$70m or 4.0% on prior year, driven by:

- Stand-out performance in mobile, securing 5.5% growth in high-margin mobile service revenue. Market share of mobile service revenue now at 40.1%, up 1.2pp on prior year⁽¹⁾ - its highest level since 2012;
- Continued growth in cloud, security and service management revenue, up \$24m or 12.3% on prior year;
- Entry into sports media via Spark Sport; and
- Moderation in the rate of legacy voice declines as this becomes a smaller part of the Spark business.

Operating expenses increased as the benefits of cost-out activities were reinvested to partially fund current and future revenue growth, resulting in EBITDAI growth of \$11m or 2.2% on prior year.

Continue to invest in a wireless future for New Zealand. First-to-market 5G rollout progressing well in heartland New Zealand. Completion of early access 5G spectrum auction, which commences in March 2020, is a key enabler of a broader rollout.

Broadband market remains challenging. Moderation in wireless broadband growth the result of planned slow-down in sales activity before and during the Rugby World Cup (RWC), but expect to benefit from new broadband offerings during H2 FY20.

Continued focus on implementing Agile ways-of-working is delivering better experiences for our customers and our people. Customer satisfaction scores are already ahead of full-year targets and total customer care interactions⁽²⁾ are down 15% on prior year.

Tightened focus on core through divestment of Lightbox and CCL's network assets⁽³⁾ and merger of cloud and ICT businesses Revera and CCL. Also secured critical long-term access to international capacity, with build of Southern Cross Next cable now underway.

Next three-year strategy, encompassing the period out to and including FY23, will build-on the momentum and foundational capabilities we have established through the successful execution of our current strategy. Further context and detail will be communicated at our Investor Day on 2 April 2020.

Maintain FY20 EBITDAI, capital expenditure and dividend guidance, including FY20 dividend guidance of 25 cents per share at least 75% imputed⁽⁴⁾.

⁽¹⁾ Market share estimates sourced from IDC

⁽²⁾ Total customer care interactions include voice, chat and virtual assistant interactions

⁽³⁾ The Lightbox and CCL network asset transactions completed in January 2020. As such a) H1 FY20 includes six months of normal trading activity for both entities and b) any transaction impacts will be recognised in H2 FY20

⁽⁴⁾ Subject to no adverse change in operating outlook

Creating a wireless future: 5G update

Investment in network innovation enabling efficient growth in data capacity and first-to-market launch of 5G wireless broadband services

First-to-market with 5G in November 2019

Launched with service of most immediate value for New Zealanders - 5G wireless broadband.

Already testing 5G solution 'out on the water' with Emirates Team New Zealand; in support of their defence of the America's Cup.

5G lab continues to be a catalyst for the research and development of 5G services and applications. Now collaborating with 'pioneer' enterprise customers.

Early access 3.5GHz 5G spectrum imminent – critical enabler of full suite of 5G services

Early access 3.5GHz spectrum auction process to begin in March 2020. Will provide short-term access until full spectrum band is available late 2022.

Expect consultation on long-term spectrum auction process to continue through the second half of 2020.

Long-term spectrum rights now assumed to be auctioned in early 2021.

Well positioned for progressive 5G network roll-out

Have already completed substantial capacity upgrade across Spark's wireless network.

Capital investment will remain weighted towards mobile in support of 5G roll-out. Remain confident of ability to fund roll-out within existing capital envelope.

Network vendors selected in line with multi-vendor approach. Will provide flexibility to take advantage of 'best-of-breed' technologies.

Financial Summary

Revenue momentum – created by successful delivery of our strategy – fuelling EBITDAI and earnings growth

EBITDAI of \$500m, up \$11m or 2.2% on prior year, benefiting from improved market momentum across all key product lines.

Revenue up \$70m or 4.0% on prior year. Substantial growth across total mobile revenues, up \$31m or 5.0%, and cloud, security and service management, up \$24m or 12.3%, more than offsetting moderated declines in voice and other managed services.

Operating expenses up \$59m or 4.7% on prior year, including \$29m of gross cost-out benefits reinvested in support of both current and future revenue growth opportunities.

NPAT growth of \$14m or 9.2%, primarily driven by:

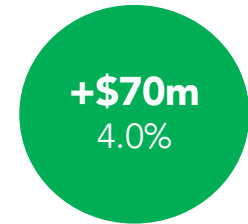
- Increased EBITDAI of \$11m or 2.2%; and
- Reduction in depreciation and amortisation of \$11m or 4.5%; following end-of-life of several software assets in H1 FY19; partially offset by
- Increase in finance expenses of \$6m or 15.0% on higher average net debt.

Improvement in working capital performance with growth of \$31m, a \$50m improvement on normalised prior year⁽¹⁾, due to expected unwind of FY19 receivables growth. However H1 FY20 free cash flow impacted, as expected, by phasing of capital expenditure and timing of tax payments.

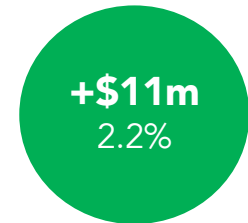
Net debt grew by \$210m during H1 FY20; but is expected to reduce during H2 FY20 on improved generation of free cash flow. Remain confident in ability to generate sufficient H2 FY20 free cash flow to deliver full-year free cash flow of ~ \$460m.

H1 FY20 dividend per share of 12.5c to be 75% imputed. Subject to no adverse change in operating outlook maintain full year FY20 dividend guidance for a total dividend per share of 25.0c at least 75% imputed.

⁽¹⁾ Six monthly payments were made to Chorus in H1 FY20 versus only five monthly payments in H1 FY19. If six monthly payments had been made to Chorus in H1 FY19 - consistent with H1 FY20 - then H1 FY19 working capital would have increased by \$81m rather than \$38m as reported.



**Revenue
movement**
vs. H1 FY19



**EBITDAI
movement**
vs. H1 FY19



**NPAT
movement**
vs. H1 FY19

Financial Performance

Financials

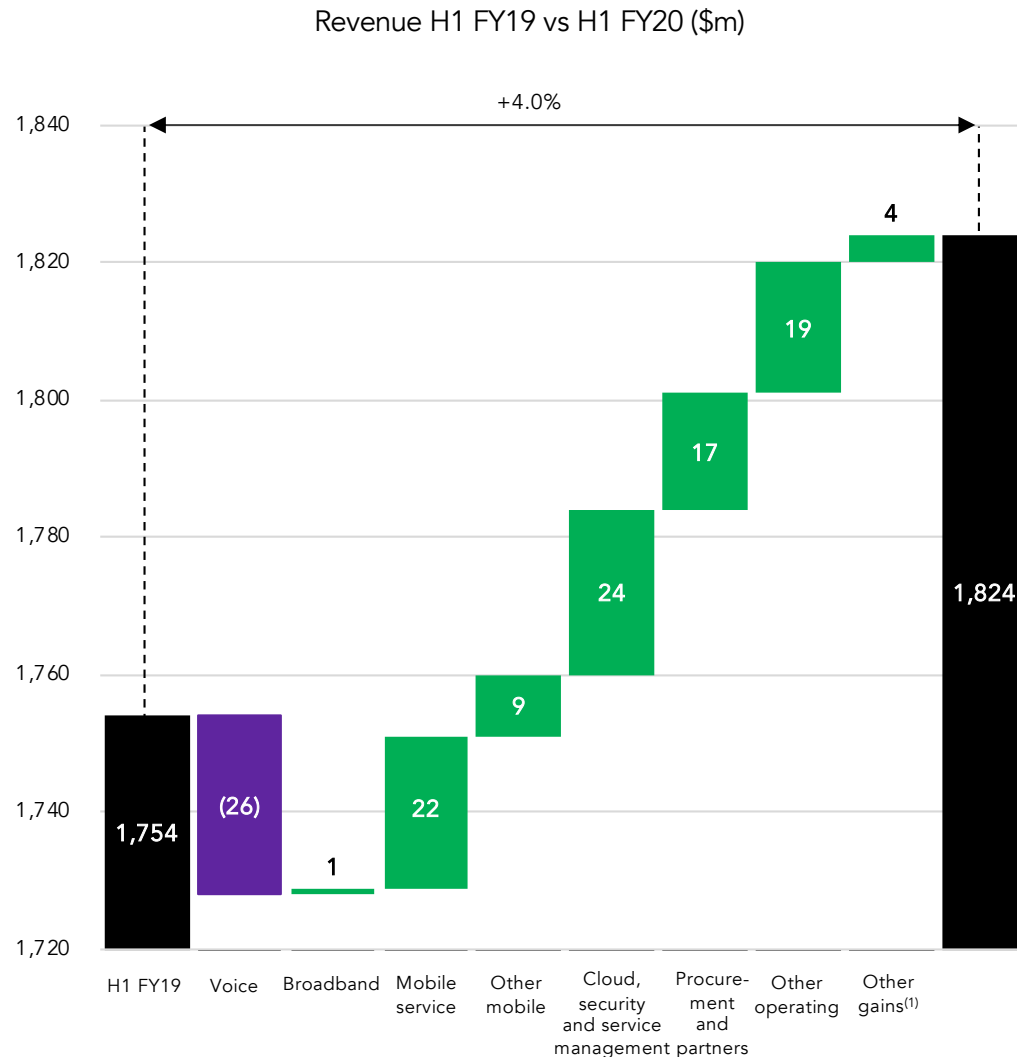
	H1 FY19 \$m	H1 FY20 \$m	CHANGE
Operating revenues	1,754	1,824	4.0%
Operating expenses	(1,265)	(1,324)	(4.7%)
EBITDAI	489	500	2.2%
Finance income	18	18	-
Finance expense	(40)	(46)	(15.0%)
Depreciation and amortisation	(245)	(234)	4.5%
Net investment income	-	(1)	NM
Net earnings before tax expense	222	237	6.8%
Tax expense	(69)	(70)	(1.4%)
Net earnings after tax expense	153	167	9.2%
Capital expenditure	264	247	(6.4%)
Free cash flow ⁽¹⁾	108	50	(53.7%)
EBITDAI margin	27.9%	27.4%	(0.5pp)
Effective tax rate	31.1%	29.5%	(1.6pp)
Capital expenditure to operating revenues	15.1%	13.5%	(1.6pp)
Earnings per Share	8.3	9.1	9.6%
Total Dividend per Share	12.5c	12.5c	-

⁽¹⁾The calculation of free cash flow is defined within the 'cash flows' worksheet of the H1 FY20 detailed financials

Overall Performance

Revenue

Positive revenue momentum now evident across all key products; benefiting from improved speed to market, customer experience and product performance



Growth in high-margin mobile service revenue due to successful monetisation of mobile data – via adoption of ‘unlimited’ plans.

Cloud, security and service management growth benefiting from further penetration of cloud services and onboarding of new contracts that were delayed during FY19.

Moderation in rate of voice declines – in line with expectation as voice becomes a smaller part of the business.

Broadband market remains challenging – albeit with revenue remaining stable despite modest connection decline.

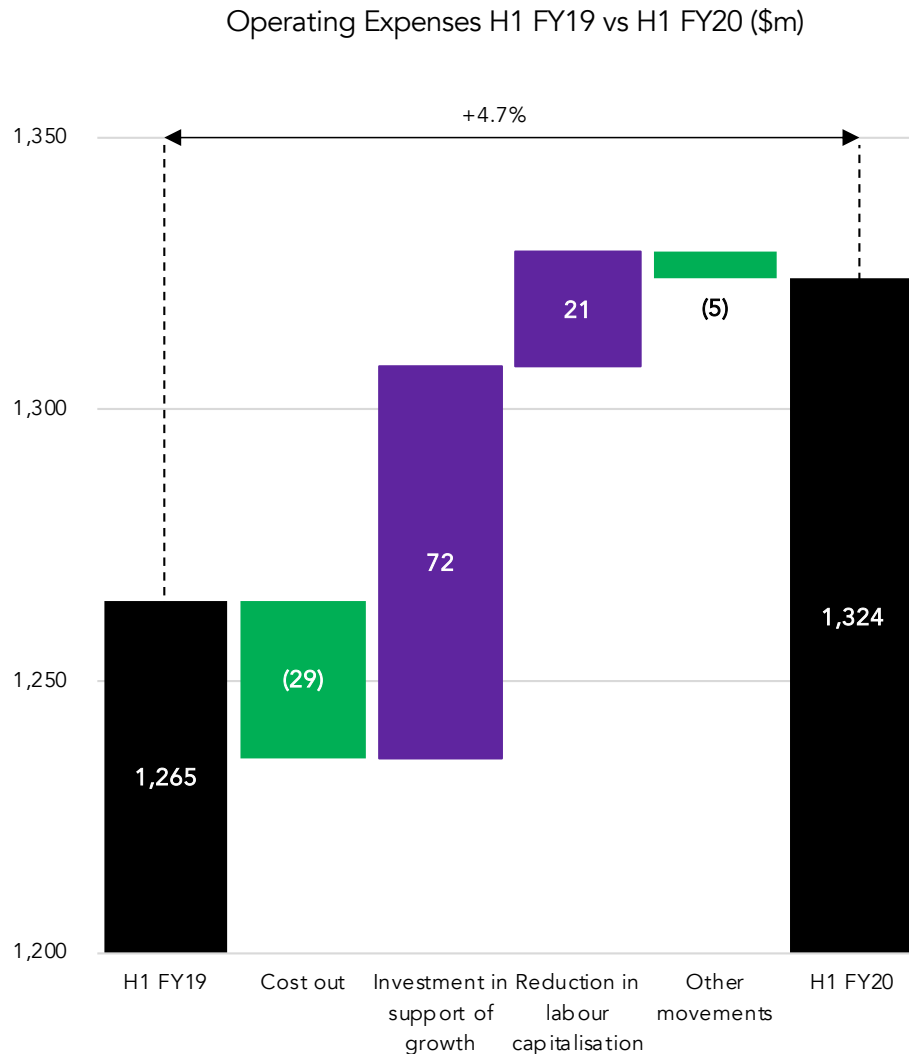
Other revenue benefiting from entry into sports media via Spark Sport, IoT growth and expansion of Qrious data and analytics business.

⁽¹⁾ Other gains from sale of surplus equipment and other sundry divestments

Overall Performance

Operating Expenses

Benefits of cost management being successfully reinvested in support of current and future revenue growth



\$29m of cost-out delivered across product costs, labour and other expenses including:

- Mobile product costs held in-line with prior year – despite significant revenue growth; and
- Wireless broadband benefits more than offsetting margin erosion from annual increases in input prices for both fibre and copper.

Cost out benefits reinvested in support of:

- Revenue growth across established cloud, security, service management and analytics offerings; and
- Entry into new markets including; sports media via Spark Sport, IT consultancy via Leaven and emerging technologies business Matr.

Labour costs up \$17m on prior year due to:

- Investment in support of revenue growth; and
- Increase in portion of labour costs that are expensed. Following completion of large IT programs more effort now spent on simplification and optimisation of existing products, rather than building new capital assets; partially offset by
- Reduction in labour costs associated with legacy offerings.

Productivity and efficiency disciplines embedded into core operations, in support of ongoing improvement in EBITDAI margin.

Cost Management

Focus on cost leadership continues to drive operational discipline and create capacity for targeted investments

Proven disciplines and delivery approaches are embedded into our 'way of operating'

Successful cost management hinges on a simple but effective framework:

- Establish efficiency targets across every part of the business;
- Take a programmatic approach – operating on a weekly cadence – to implementing the actions required to deliver each opportunity; and
- Build momentum by ensuring performance against targets is visible.

\$29m of gross savings delivered in H1 FY20, with further savings targeted for H2 FY20

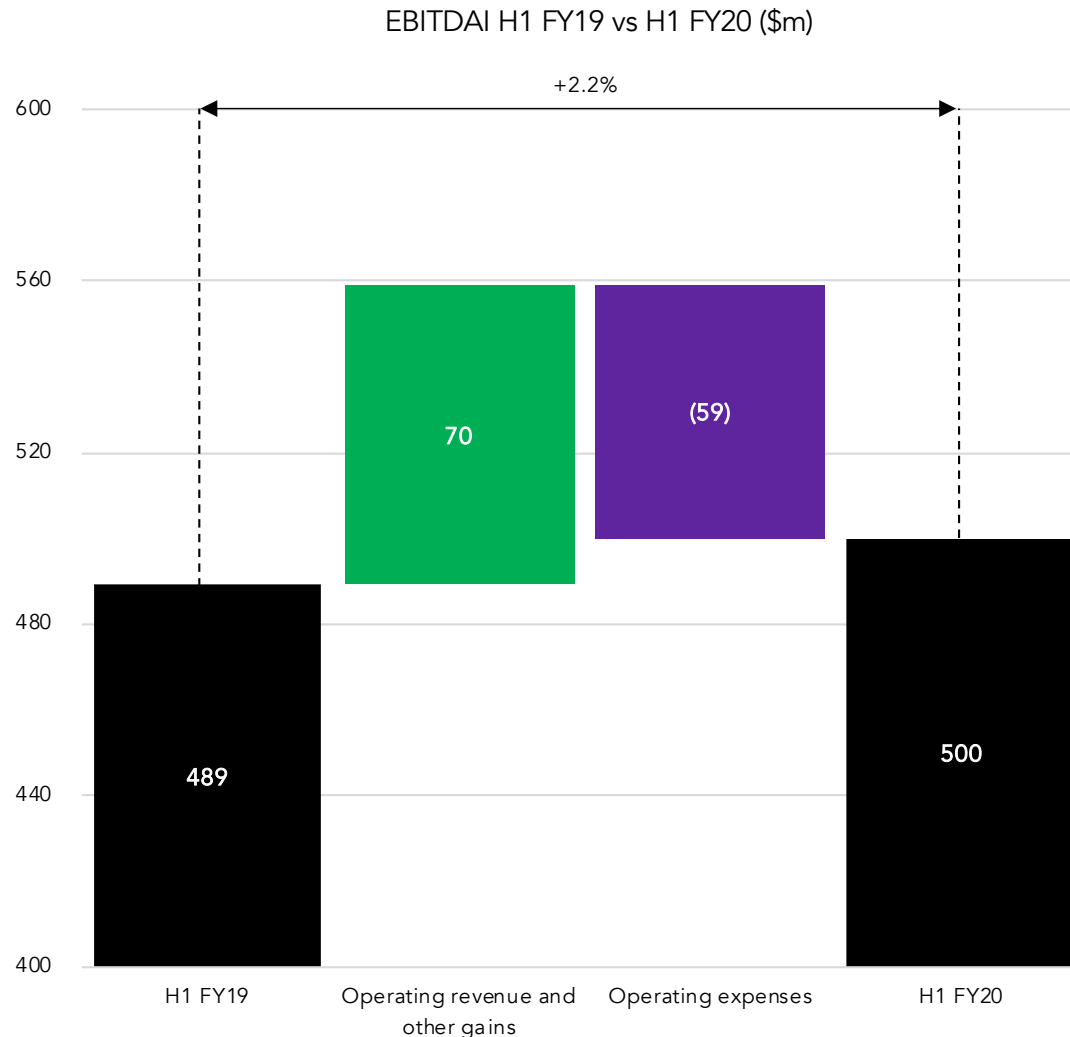
Savings centred on a number of key areas:

- Further simplification of product offerings such as introduction of 'one number' capability for wearables and cessation of legacy data offers;
- Ongoing process automation including digitisation of common customer journeys to remove complexity and improve experience;
- Further adoption of wireless broadband;
- Productivity gains through utilisation of new network and IT system technologies; and
- Unlocking supply chain efficiencies via commercial models and partnerships.

Overall Performance

EBITDAI

EBITDAI growth driven by strong revenue and margin performance across all key products



Gross margin growth of \$26m or 2.7% attributable to:

- Mobile connection and ARPU growth;
- Cloud revenue growth;
- Ongoing benefits of wireless broadband adoption; and
- Benefits of cost management activities.

Mobile, cloud, security and service management now deliver 59.0% of Spark's gross margin, up from 49.8% in H1 FY17.

H1 FY20 EBITDAI margin of 27.4% down 0.5pp on prior year due to increase in lower-margin procurement and mobile non-service revenues and investment in sport.

Remain on-track for full-year EBITDAI margin target of at least 31%. H2 FY20 EBITDAI margin expansion expected to be driven by:

- Continuation of revenue growth; and
- Ongoing focus on cost management across the business.

Product Performance

Mobile

Market-leading revenue growth the result of excelling across all aspects of mobile proposition

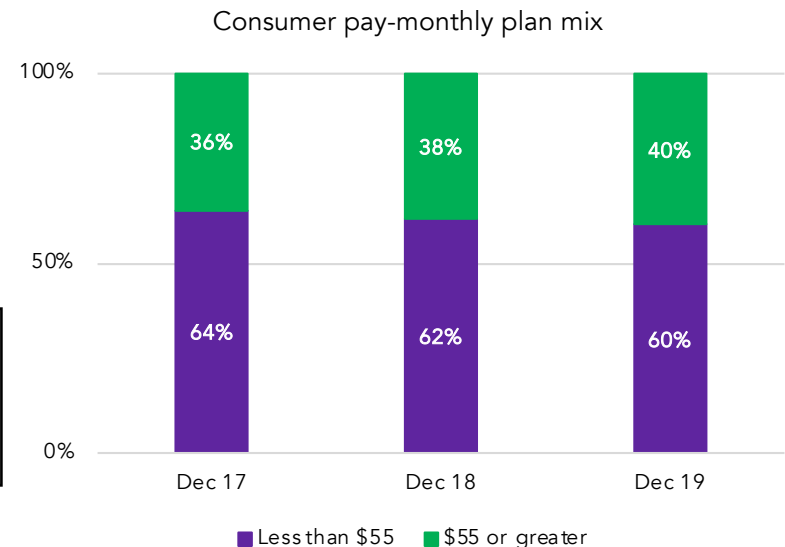
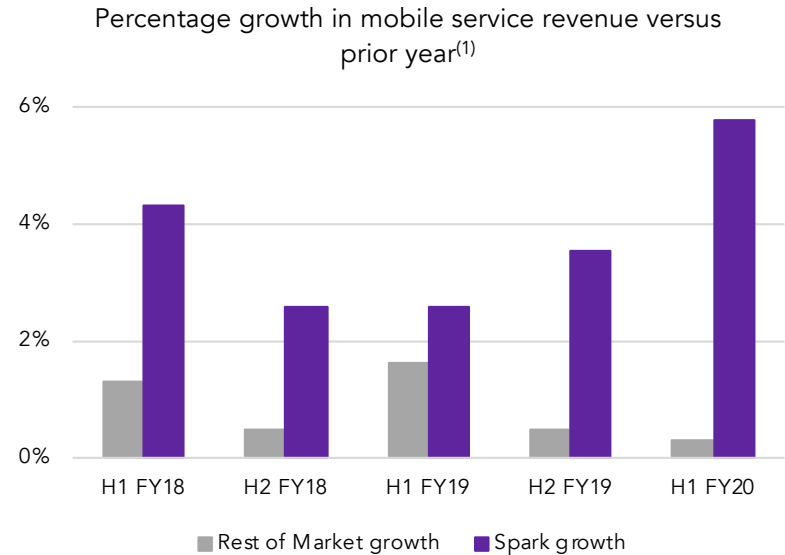
Secured ~90% of total market growth⁽¹⁾ in high-margin service revenue during H1 FY20 – up \$22m or 5.5% on prior year driven by:

- Pay-monthly connection growth, up 62k;
- Further adoption of 'unlimited' plans – with the number of 'unlimited' connections more than doubling YoY; and
- Implementation of new data propensity-to-buy models to improve the effectiveness of customer offers.

Gross margin up \$29m or 7.7% due to growth in service revenues, combined with further migration away from subsidised plans. Open-term plans now account for 99% of consumer pay-monthly base.

Pay-monthly ARPU stabilised, for the first time in at least three years, due to moderation in rate of business ARPU declines. Competitive pricing pressure remains, however headwinds created by migration off legacy business plans to 'shareable' offerings is abating.

As a result of H1 FY20 growth momentum we have increased our full-year mobile service revenue growth target from 2-3% to 4-5%.



⁽¹⁾ Market estimates sourced from IDC - exclude wholesale mobile revenues

Product Performance

Broadband

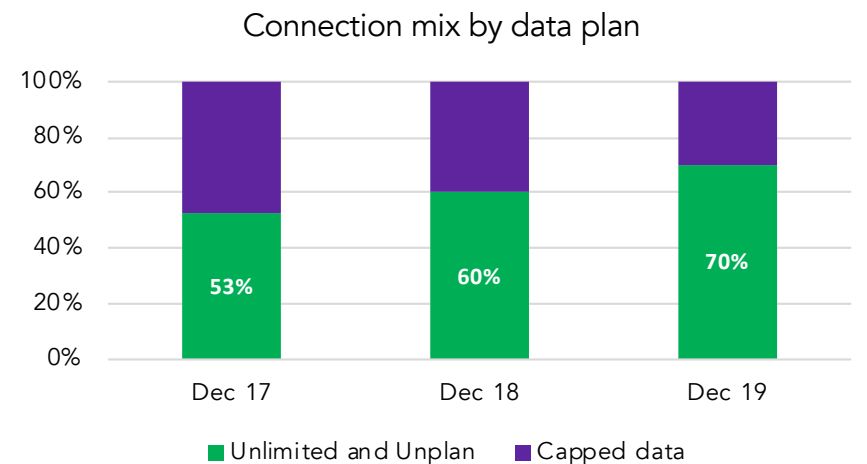
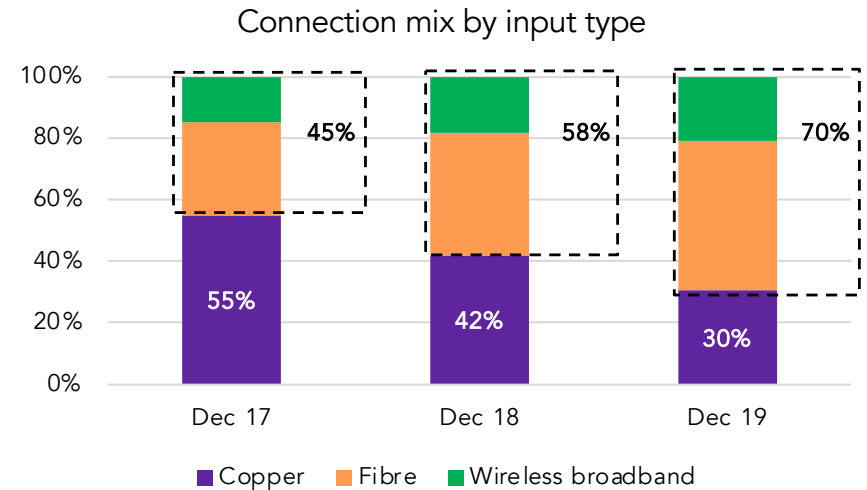
Continued gross margin improvement, despite connection share loss, in a highly competitive and saturated market⁽¹⁾

Mixed results in achieving dual focus of margin growth and holding market share:

- Gross margin growth, up \$7m or 4.2% on prior year, underpinned by ongoing benefits of wireless broadband adoption;
- Rate of wireless broadband growth moderated during H1 FY20, due to planned slow-down in sales activity before and during the RWC; and
- 3k decline in connections during H1 FY20 reflective of the challenges of competing in a highly commoditised market.

Customer demand for more data continues to drive ARPU growth, with unlimited and 'unplan' broadband plans now accounting for 70% of the broadband base – up 10pp on prior year.

Share of market connections and rate of wireless broadband growth expected to benefit from new higher data offerings during H2 FY20. However, we have revised full-year wireless broadband connection growth target down from +30k to +20k.



⁽¹⁾ Market size and growth estimates sourced from IDC

Product Performance

Cloud, security and service management

Ongoing penetration of cloud services continues to underpin revenue growth, with H1 FY20 also benefiting from completion of previously delayed customer transitions

Revenue growth of \$24m or 12.3% fuelled by:

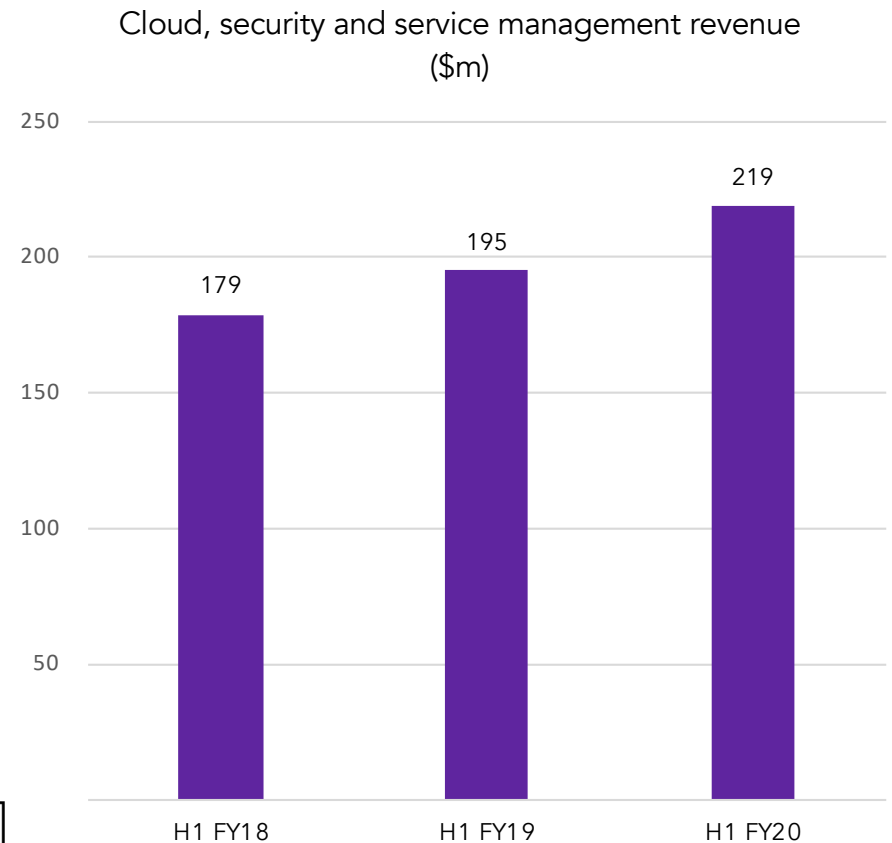
- Further penetration of core cloud services and ongoing shift of customers to more flexible and future-proofed cloud-based IT models; and
- Customer transitions that were delayed during FY19.

Increase in contribution margin⁽¹⁾ of \$3m, or 4.2%, albeit at a slower rate than revenue growth due to shift in customer demand towards more labour intensive and lower-margin service management offerings.

Fundamental drivers of revenue growth continue to be:

- Helping accelerate adoption of cloud and associated services for those businesses who have already made some movement towards cloud-based IT models; and
- Organic pipeline of sales opportunities for those two thirds of businesses who have yet to transition to cloud-based services.

Continue to expect full year revenue growth of 8-10%



⁽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

Voice and other managed services

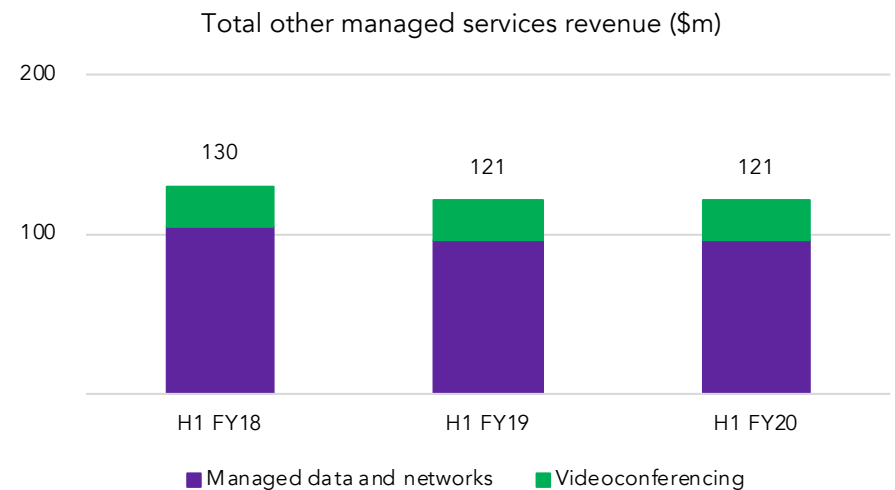
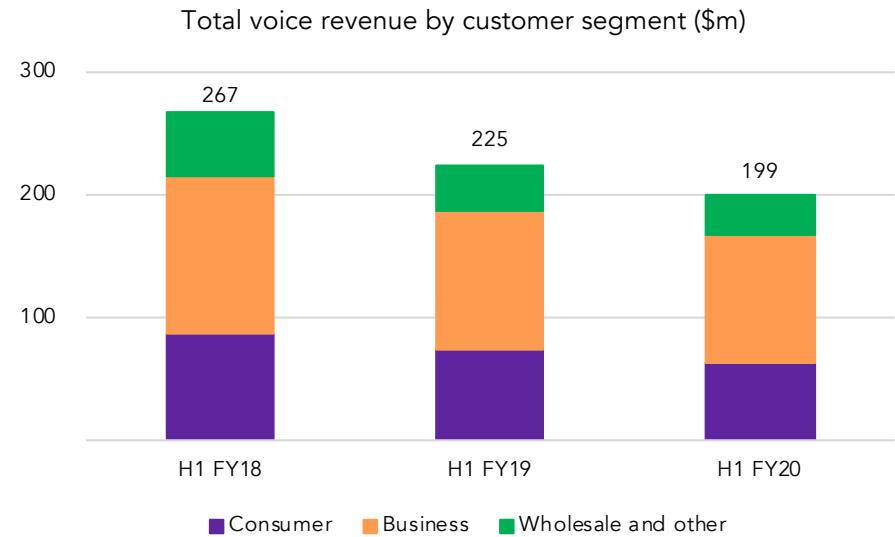
Significant moderation in the rate of voice and other managed service revenue decline

Absolute decline in voice and other managed services revenue of \$26m significantly improved on prior year decline of \$51m due to:

- Return of voice connection declines to more normalised levels after a period of wholesale customer migration;
- Decline in total calling minutes due to connection loss and substitution; and
- Return of managed data and networks revenue to modest growth – as substantial portion of base has now migrated onto new lower-margin fibre-based alternatives.

Impact of revenue declines on gross margin partially offset by migration of customers to better performing, higher-margin managed data services such as software defined wide-area-networks (SDWAN).

Now expect voice revenues to decline by ~12%, rather than between 12% and 15%, due to return of connection declines to more normalised levels



Overall Performance

Capital Expenditure

\$17m reduction in spend on prior year. Consistent with targeted reduction in full-year capital envelope of ~\$47m, from \$417m to ~\$370m⁽¹⁾

Capital expenditure (\$m)	H1 FY19	H1 FY20
Mobile network ⁽²⁾	89	92
IT systems	70	73
Core network infrastructure	36	50
Cloud	26	16
Converged Communications Network (CCN)	20	11
International cable construction and capacity ⁽³⁾	11	-
Other ⁽⁴⁾	12	5
Total capital expenditure	264	247
Total capital expenditure to operating revenue	15.1%	13.5%

Mobile network investment in support of increased capacity and initial roll-out of 5G wireless services in heartland New Zealand.

Underlying reduction in IT systems investment - in-line with expected reduction in the amount of labour spend incurred in relation to systems development - offset during H1 FY20 by timing of software license purchases.

Increase in core network infrastructure includes establishment of content delivery networks in the lead up to the RWC and investment in optical transport capacity and resiliency.

Investment in multi-year Converged Communications Network (CCN) programme continues – albeit with peak-funding period having now passed.

Reduction in international cable construction and capacity investment due to timing of capacity demand.

⁽¹⁾ Excluding expenditure on mobile spectrum

⁽²⁾ Mobile includes investment in standalone mobile assets including capacity in support of wireless broadband

⁽³⁾ International cable includes capacity purchases on Southern Cross cable and investment in Tasman Global Access cable

⁽⁴⁾ Reductions in other investments due to completion of IOT LoRA WAN network, Lightbox platform redevelopment; and retail store fit-out programme

Free cash flow

Remain confident in ability to generate sufficient H2 FY20 free cash flow to deliver full-year free cash flow of ~ \$460m; reliant on three key outcomes

1

FY20 EBITDAI growth is within guidance

Full year EBITDAI guidance is for growth of between \$10m and \$30m⁽¹⁾.

Achieved H1 FY20 EBITDAI growth of \$11m.

2

FY20 capital expenditure is in-line with guidance at ~\$370m

Spend historically weighted towards H1:

- To ensure capacity increases are provisioned ahead of seasonal peaks in customer demand; and
- Due to larger number of working days in H1 – with volume of capitalisable work subsequently higher in H1 than H2.

H2 FY20 payments for capital assets will be lower than in H1 FY20 due to completion of larger network and physical infrastructure investments

3

Working capital grows by no more than \$50m during FY20

Expect full year working capital growth to be a maximum of ~\$50m – an improvement of at least \$87m on prior year.

H1 FY20 working capital growth of \$31m was a \$50m improvement on normalised prior year growth⁽²⁾, due to expected unwind of FY19 receivables growth.

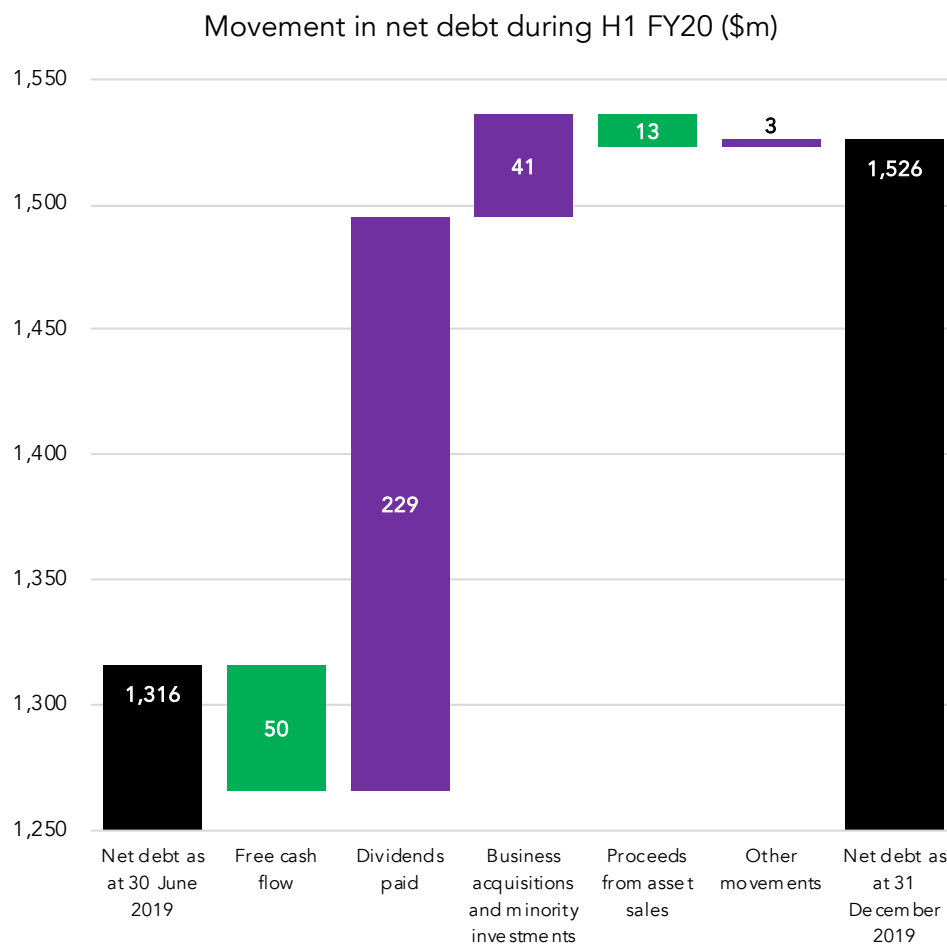
⁽¹⁾ Subject to no adverse change in operating outlook

⁽²⁾ Six monthly payments were made to Chorus in H1 FY20 versus only five monthly payments in H1 FY19. If six monthly payments had been made to Chorus in H1 FY19 - consistent with H1 FY20 - then H1 FY19 working capital would have increased by \$81m rather than \$38m as reported.

Capital Management

Net debt⁽¹⁾

Net debt grew by \$210m during H1 FY20 but is expected to reduce during H2 FY20, due to improvement in free cash flow generation as heavy H1 investment abates



Expenditure on business acquisitions and minority investments largely driven by:

- Acquisition of Now Consulting; and
- Equity contributions towards construction of the Southern Cross Next cable.

Proceeds from asset sales relates to receipt of funds from sale of surplus mobile network equipment that occurred in FY19.

Net debt expected to reduce during H2 FY20 due to:

- Seasonal improvement in EBITDAI;
- Planned reductions in capital investment; and
- Proceeds from recently completed asset sales.

⁽¹⁾ Net debt at hedged rates as reported in note 6 of Spark's FY20 Interim Financial Statements

FY20 Outlook Guidance⁽¹⁾

FY20 guidance unchanged

	FY19 Actual	FY20 Guidance ⁽¹⁾	Change to previous FY20 Guidance
EBITDAI	\$1,090m	\$1,100m to \$1,120m	-
Capital expenditure ⁽²⁾	\$417m	~\$370m	-
Dividend per share	Ordinary 22.0c (75% imputed) Special 3.0c (75% imputed)	Ordinary 25.0c at least 75% imputed	-

⁽¹⁾ Subject to no adverse change in operating outlook

⁽²⁾ Includes purchase of property, plant and equipment, intangible assets and capacity (including Southern Cross) but excludes spectrum purchases and leased customer equipment assets

FY20 Outlook

Indicators of Success

	Measures	Target 30 June 2020	Status	Revised Target 30 June 2020
Build customer intimacy	Consumer and small business iNPS	8 point lift	Ahead	
	Growth in mobile and broadband change transactions completed online	30%	Ahead	
Create a wireless future	Go-live of 5G for America's Cup (subject to spectrum)	Ready for July 2020 launch	On Track	
	Preparation for commercial launch of 5G (subject to spectrum)	5G sites deployed to targeted geographical locations	Launched	
	Growth in wireless broadband connections	+30k	Target Revised	+20k
Create New Zealand's premier sports streaming experience	Rugby World Cup tournament	Successfully deliver the RWC tournament with platform availability of 99.9%	Delivered platform availability of 99.8%	
Grow key markets	Mobile service revenue growth ⁽¹⁾	2% to 3%	Target Revised	4% to 5%
	Cloud, security and service management revenue growth	8% to 10%	On Track	
	Growth in number of connected IOT devices	60%	Ahead	
	Launch progressive roll-out of new concept Spark retail stores	By end of September 2019	Completed	
Mature Agile leadership	Percentage of Agile squads at or above level 3	85%	Progressing	
Deliver best cost	EBITDAI margin	At least 31%	On Track	
Lead on sustainability	Transition to integrated reporting	For FY20 annual report	On Track	
	Number of school students participating in one of the Spark Foundation's programmes ⁽²⁾	10k	On Track	

⁽¹⁾ Consumer and business segments only

⁽²⁾ Measured as school aged children 5-18 years who participate in one of the Spark Foundation's digital inclusion or skills and capability programmes including JUMP, Digital Native Academy, Code Club, The Electric Garden and Like a Boss

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, 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 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues and other gains	1,761	1,772	1,754	1,779	1,824	70	4.0%
Operating expenses	(1,305)	(1,247)	(1,265)	(1,178)	(1,324)	(59)	(4.7%)
EBITDAI	456	525	489	601	500	11	2.2%
Finance income	16	19	18	19	18	-	-%
Finance expense	(37)	(40)	(40)	(45)	(46)	(6)	(15.0%)
Depreciation and amortisation expense	(237)	(244)	(245)	(232)	(234)	11	4.5%
Net investment income	27	20	-	14	(1)	(1)	NM
Net earnings before income tax	225	280	222	357	237	15	6.8%
Tax expense	(63)	(77)	(69)	(101)	(70)	(1)	(1.4%)
Net earnings for the period	162	203	153	256	167	14	9.2%
Capital expenditure	262	151	264	153	247	(17)	(6.4%)
Free cash flows	155	144	108	184	50	(58)	(53.7%)
Reported EBITDAI margin	25.9%	29.6%	27.9%	33.8%	27.4%	(0.5%)	(1.8%)
Reported effective tax rate	28.0%	27.5%	31.1%	28.3%	29.5%	(1.6%)	(5.1%)
Capital expenditure to operating revenues	14.9%	8.5%	15.1%	8.6%	13.5%	(1.6%)	(10.6%)
Reported basic and diluted earnings per share (cents)	8.8	11.1	8.3	14.0	9.1	0.8	9.6%

Group result - adjusted

Spark presents adjusted EBITDAI and adjusted net earnings when the year includes significant items greater than \$25 million. There were no adjusting items in FY19 and H1 FY20. FY18 included \$49 million of costs of change and adjusted EBITDAI and adjusted net earnings are as follows:

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues and other gains	1,761	1,772	1,754	1,779	1,824	70	4.0%
Adjusted operating expenses	(1,292)	(1,211)	(1,265)	(1,178)	(1,324)	(59)	(4.7%)
Adjusted EBITDAI	469	561	489	601	500	11	2.2%
Finance income	16	19	18	19	18	-	-%
Finance expense	(37)	(40)	(40)	(45)	(46)	(6)	(15.0%)
Depreciation and amortisation expense	(237)	(244)	(245)	(232)	(234)	11	4.5%
Net investment income	27	20	-	14	(1)	(1)	NM
Adjusted net earnings before income tax	238	316	222	357	237	15	6.8%
Adjusted tax expense	(67)	(87)	(69)	(101)	(70)	(1)	(1.4%)
Adjusted net earnings for the period	171	229	153	256	167	14	9.2%

The tax effect on costs of change in H1 FY18 is \$4m and in H2 FY18 is \$10m.

Adjusted EBITDAI margin	26.6%	31.7%	27.9%	33.8%	27.4%	(0.5%)	(1.8%)
Adjusted effective tax rate	28.2%	27.5%	31.1%	28.3%	29.5%	(1.6%)	(5.1%)
Adjusted basic and diluted earnings per share (cents)	9.3	12.5	8.3	14.0	9.1	0.8	9.6%

Spark New Zealand

Group operating revenues and other gains

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues							
Mobile							
Service revenue	395	400	403	413	425	22	5.5%
Non-service revenue	218	224	219	236	228	9	4.1%
	613	624	622	649	653	31	5.0%
Voice							
Access	136	124	109	105	97	(12)	(11.0%)
Calling	98	95	87	83	79	(8)	(9.2%)
Other voice revenue	33	32	29	28	23	(6)	(20.7%)
	267	251	225	216	199	(26)	(11.6%)
Broadband	331	334	344	341	345	1	0.3%
Cloud, security and service management	179	191	195	205	219	24	12.3%
Procurement and partners	184	173	191	174	208	17	8.9%
Other managed services	130	132	121	121	121	-	-%
Other operating revenue	57	57	56	58	75	19	33.9%
Total operating revenues	1,761	1,762	1,754	1,764	1,820	66	3.8%
Other gains	-	10	-	15	4	4	NM
Total operating revenues and other gains	1,761	1,772	1,754	1,779	1,824	70	4.0%

Operating revenues includes revenues from Consumer, Business, Wholesale and other customer segments.

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

Operating revenues and other gains by customer segment

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues and other gains							
Consumer	786	787	790	815	825	35	4.4%
Business	866	866	867	857	913	46	5.3%
Wholesale and other	128	142	118	130	112	(6)	(5.1%)
Eliminations	(19)	(23)	(21)	(23)	(26)	(5)	(23.8%)
	1,761	1,772	1,754	1,779	1,824	70	4.0%

Finance income

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Finance income							
Finance lease interest income	7	7	7	7	7	-	-%
Other interest income	9	12	11	12	11	-	-%
	16	19	18	19	18	-	-%

Net investment income

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Net investment income							
Dividend income	28	22	-	15	-	-	NM
Share of associates' and joint ventures' net losses	(1)	(2)	-	(1)	(1)	(1)	NM
	27	20	-	14	(1)	(1)	NM

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Revenue classification changes

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

Product name	Services provided	Previous category	New category
Videoconferencing	Provision of videoconferencing and other collaboration services over an IT based platform	Voice	Other managed services

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Group operating expenses

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Product costs							
Mobile	257	248	246	250	248	2	0.8%
Voice	91	88	82	77	75	(7)	(8.5%)
Broadband	173	177	176	165	170	(6)	(3.4%)
Cloud, security and service management	27	28	32	41	43	11	34.4%
Procurement and partners	167	150	173	149	187	14	8.1%
Other managed services	63	58	55	55	56	1	1.8%
Other product costs	32	33	31	32	60	29	93.5%
	810	782	795	769	839	44	5.5%
Labour	276	237	250	225	267	17	6.8%
Other operating expenses							
Network support costs	31	31	37	24	35	(2)	(5.4%)
Computer costs	41	43	46	47	49	3	6.5%
Accommodation costs	32	29	37	30	33	(4)	(10.8%)
Advertising, promotions and communication	51	33	47	40	47	-	-%
Bad debts	7	9	6	6	7	1	16.7%
Impairment expense	1	6	5	(2)	-	(5)	(100.0%)
Costs of change	13	36	-	-	-	-	NM
Other	43	41	42	39	47	5	11.9%
	219	228	220	184	218	(2)	(0.9%)
Total operating expenses	1,305	1,247	1,265	1,178	1,324	59	4.7%
Finance expense							
Finance expense on debt	25	28	27	32	31	4	14.8%
Other interest and finance expense	-	-	-	-	1	1	NM
Lease interest expense	15	14	15	15	15	-	-%
Leased customer equipment interest expense	1	2	2	2	3	1	50.0%
	41	44	44	49	50	6	13.6%
Capitalised interest	(4)	(4)	(4)	(4)	(4)	-	-%
	37	40	40	45	46	6	15.0%
Depreciation and amortisation expense							
Depreciation - property, plant and equipment	129	134	128	118	119	(9)	(7.0%)
Depreciation - right-of-use assets	24	26	25	31	28	3	12.0%
Depreciation - leased customer equipment assets	8	8	9	9	15	6	66.7%
Amortisation of intangibles	76	76	83	74	72	(11)	(13.3%)
	237	244	245	232	234	(11)	(4.5%)

Adjusted operating expenses

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Total operating expenses	1,305	1,247	1,265	1,178	1,324	59	4.7%
Less: costs of change	(13)	(36)	-	-	-	-	NM
Adjusted operating expenses	1,292	1,211	1,265	1,178	1,324	59	4.7%

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Analysis & KPI's - Voice

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Revenue by type							
Access	136	124	109	105	97	(12)	(11.0%)
Calling	98	95	87	83	79	(8)	(9.2%)
Other voice revenue	33	32	29	28	23	(6)	(20.7%)
Total voice revenue	267	251	225	216	199	(26)	(11.6%)
Voice product costs ¹	(91)	(88)	(82)	(77)	(75)	7	8.5%
Voice gross margin	176	163	143	139	124	(19)	(13.3%)
Voice gross margin %	65.9%	64.9%	63.6%	64.4%	62.3%	(1.3%)	(2.0%)

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	000's	000's	000's	000's	000's	000's	%
Voice connections by type							
POTS and ISDN	491	400	356	329	288	(68)	(19.1%)
VoIP	47	52	57	62	66	9	15.8%
Voice over wireless	14	14	18	26	26	8	44.4%
Total voice connections	552	466	431	417	380	(51)	(11.8%)

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	000's	000's	000's	000's	000's	000's	%
Voice connections by customer segment							
Consumer	118	108	104	103	93	(11)	(10.6%)
Business	185	180	177	178	173	(4)	(2.3%)
Wholesale and other	249	178	150	136	114	(36)	(24.0%)
Total voice connections	552	466	431	417	380	(51)	(11.8%)

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

Analysis & KPI's - Broadband

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Total broadband revenue	331	334	344	341	345	1	0.3%
Broadband product costs ²	(173)	(177)	(176)	(165)	(170)	6	3.4%
Broadband gross margin	158	157	168	176	175	7	4.2%
Broadband gross margin %	47.7%	47.0%	48.8%	51.6%	50.7%	1.9%	3.9%

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	000's	000's	000's	000's	000's	000's	%
Broadband connections by technology							
Copper	384	346	296	249	211	(85)	(28.7%)
Fibre	206	238	273	306	340	67	24.5%
Wireless	104	116	129	140	141	12	9.3%
Total broadband connections	694	700	698	695	692	(6)	(0.9%)

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	000's	000's	000's	000's	000's	000's	%
Broadband connections by segment							
Consumer	601	604	598	593	587	(11)	(1.8%)
Business	92	95	98	99	100	2	2.0%
Wholesale and other	1	1	2	3	5	3	NM
Total broadband connections	694	700	698	695	692	(6)	(0.9%)

² 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 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Cloud, Security and Service management revenue	179	191	195	205	219	24	12.3%
Cloud, Security and Service management product costs	(27)	(28)	(32)	(41)	(43)	(11)	(34.4%)
Cloud, Security and Service management gross margin	152	163	163	164	176	13	8.0%
Cloud, Security and Service management gross margin %	84.9%	85.3%	83.6%	80.0%	80.4%	(3.2%)	(3.8%)
Contribution margin (approximated) % ¹	36.9%	46.6%	36.9%	42.0%	34.2%	(2.7%)	(7.3%)

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.

Analysis & KPI's - Procurement and Partners

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Procurement and partners revenue	184	173	191	174	208	17	8.9%
Procurement and partners product costs	(167)	(150)	(173)	(149)	(187)	(14)	(8.1%)
Procurement and partners gross margin	17	23	18	25	21	3	16.7%
Procurement and partners gross margin %	9.2%	13.3%	9.4%	14.4%	10.1%	0.7%	7.4%

Analysis & KPI's - Other managed services

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Videoconferencing	26	29	25	20	24	(1)	(4.0%)
Managed data and networks	104	103	96	101	97	1	1.0%
Other managed services revenue	130	132	121	121	121	-	-%
Other managed services product costs ²	(63)	(58)	(55)	(55)	(56)	(1)	(1.8%)
Other managed services gross margin	67	74	66	66	65	(1)	(1.5%)
Other managed services gross margin %	51.5%	56.1%	54.5%	54.5%	53.7%	(0.8%)	(1.5%)

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

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Statement of cash flows

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Cash flows from operating activities							
Cash received from customers	1,768	1,721	1,770	1,654	1,861	91	5.1%
Interest receipts	16	18	18	17	17	(1)	(5.6%)
Dividend receipts	7	43	-	15	-	-	NM
Payments to suppliers and employees	(1,266)	(1,252)	(1,314)	(1,169)	(1,396)	(82)	(6.2%)
Payments for income tax	(70)	(97)	(44)	(91)	(82)	(38)	(86.4%)
Payments for interest on debt	(14)	(23)	(22)	(23)	(26)	(4)	(18.2%)
Payments for interest on leases	(14)	(14)	(13)	(17)	(14)	(1)	(7.7%)
Payments for interest on leased customer equipment assets	(1)	(2)	(2)	(2)	(3)	(1)	(50.0%)
Net cash flows from operating activities	426	394	393	384	357	(36)	(9.2%)
Cash flows from investing activities							
Proceeds from sale of property, plant and equipment	-	1	-	1	13	13	NM
Proceeds from sale of business	-	8	-	-	-	-	NM
Proceeds from long-term investments	-	-	-	2	-	-	NM
Payments for purchase of businesses	(46)	(5)	-	-	(11)	(11)	NM
Payments for, and advances to, long-term investments	(6)	(14)	(6)	-	(30)	(24)	NM
Payments for purchase of property, plant and equipment and intangibles	(236)	(178)	(258)	(157)	(273)	(15)	(5.8%)
Payments for capitalised interest	(4)	(4)	(3)	(5)	(4)	(1)	(33.3%)
Net cash flows from investing activities	(292)	(192)	(267)	(159)	(305)	(38)	(14.2%)
Cash flows from financing activities							
Net proceeds from debt	184	(10)	182	(28)	207	25	13.7%
Receipts from finance leases	2	3	3	3	2	(1)	(33.3%)
Payments for dividends	(229)	(229)	(229)	(230)	(229)	-	-%
Payments for leases	(18)	(19)	(19)	(17)	(19)	-	-%
Payments for leased customer equipment assets	(8)	(9)	(8)	(9)	(13)	(5)	(62.5%)
Net cash flows from financing activities	(69)	(264)	(71)	(281)	(52)	19	26.8%
Net cash flow	65	(62)	55	(56)	-	(55)	(100.0%)
Opening cash position	52	117	55	110	54	(1)	(1.8%)
Closing cash position	117	55	110	54	54	(56)	(50.9%)

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Analysis & KPIs - Free cash flows

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Net cash flows from operating activities	426	394	393	384	357	(36)	(9.2%)
Payments for purchase of property, plant and equipment and intangibles	(236)	(178)	(258)	(157)	(273)	(15)	(5.8%)
Payments for capitalised interest	(4)	(4)	(3)	(5)	(4)	(1)	(33.3%)
Payments for leases	(18)	(19)	(19)	(17)	(19)	-	-%
Payments for leased customer equipment assets	(8)	(9)	(8)	(9)	(13)	(5)	(62.5%)
Receipts from finance leases	2	3	3	3	2	(1)	(33.3%)
<i>excluding</i>							
Dividend receipts	(7)	(43)	-	(15)	-	-	NM
Increase/(decrease) in working capital	(45)	52	38	99	31	(7)	(18.4%)
Underlying free cash flow	110	196	146	283	81	(65)	(44.5%)
<i>including</i>							
(Increase)/decrease in working capital	45	(52)	(38)	(99)	(31)	7	18.4%
Free cashflow	155	144	108	184	50	(58)	(53.7%)

Analysis & KPIs - Movement in working capital

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
EBITDAI	456	525	489	601	500	11	2.2%
<i>excluding</i>							
Impairments	(1)	(6)	(5)	2	-	5	100.0%
Other gains	-	10	-	15	4	4	NM
EBITDAI excluding impairments and other gains	457	521	494	584	496	2	0.4%
Net cash flows from operating activities	426	394	393	384	357	(36)	(9.2%)
<i>excluding</i>							
Interest receipts	16	18	18	17	17	(1)	(5.6%)
Dividend receipts	7	43	-	15	-	-	NM
Payments for income tax	(70)	(97)	(44)	(91)	(82)	(38)	(86.4%)
Payments for interest on debt	(14)	(23)	(22)	(23)	(26)	(4)	(18.2%)
Payments for interest on leases	(14)	(14)	(13)	(17)	(14)	(1)	(7.7%)
Payments for interest on leased customer equipment assets	(1)	(2)	(2)	(2)	(3)	(1)	(50.0%)
Net cash flows from operating activities excluding dividends, tax and net interest	502	469	456	485	465	9	2.0%
EBITDAI excluding impairments and other gains	457	521	494	584	496	2	0.4%
<i>less</i>							
Net cash flows from operating activities excluding dividends, tax and net interest	502	469	456	485	465	9	2.0%
Increase/(decrease) in working capital	(45)	52	38	99	31	(7)	(18.4%)
Cash conversion	110%	90%	92%	83%	94%	1%	1.6%

Spark New Zealand

Group capital expenditure

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Cloud	19	20	26	10	16	(10)	(38.5%)
Converged Communications Network (CCN)	17	15	20	11	11	(9)	(45.0%)
International cable construction and capacity purchases	14	-	11	1	-	(11)	(100.0%)
IT systems	64	49	70	62	73	3	4.3%
Mobile network	89	26	89	29	92	3	3.4%
Core network infrastructure	38	24	36	27	50	14	38.9%
Other	21	17	12	13	5	(7)	(58.3%)
Total capital expenditure	262	151	264	153	247	(17)	(6.4%)

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

Analysis & KPI's - Capital expenditure depreciation and amortisation

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

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20	H1 FY19 v H1 FY20	
	\$m	\$m	\$m	\$m	\$m	\$m	%
Depreciation - property, plant and equipment	129	134	128	118	119	(9)	(7.0%)
Depreciation - right-of-use assets ¹	10	10	9	13	10	1	11.1%
Amortisation of intangibles	76	76	83	74	72	(11)	(13.3%)
Total capital expenditure depreciation and amortisation	215	220	220	205	201	(19)	(8.6%)

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