

MEDIA RELEASE

22 August 2014

SPARK NEW ZEALAND FY14 RESULTS

GREATER FOCUS ON CUSTOMERS LEADS TO STRONGER MOMENTUM IN SECOND HALF OF THE YEAR AND A MORE CONFIDENT OUTLOOK

Spark New Zealand said today its financial results for the full year ending 30 June 2014 show the strategy the company has been executing is gathering pace and that a stronger focus on customers is working.

“Two years ago, we made the decision that we needed to become significantly more relevant and competitive,” Chairman Mark Verbiest said. “Our customers wanted and needed us to change. They wanted us to be a growing New Zealand business that could help them unleash their potential in an increasingly technology-dependent and fast-changing world.

“Since then, our business has been rapidly changing. At the core of that change has been a focus on listening to our customers, understanding what drives them, what matters to them, what they value, and what digital services they need to help them do amazing things.

“That is now showing through in our financial results, with an improving performance in the second half of the year indicating a potential to return to net earnings growth in FY15, driven by continued growth in mobile, data and IT services.”

FY14 net earnings from continuing operations were \$323 million, up 19.6%, however when the impact of a one-off restructuring charge is removed from the prior year numbers, FY14 adjusted net earnings from continuing operations were down 7.7%.
Net earnings including discontinued operations (the AAPT business) were \$460 million.

Mark said, “We are confident we are generating real momentum. Our aim is to sustainably grow dividends over time and this increase in business momentum, together with a more positive outlook, has enabled us to take a first step by increasing our second half dividend to 9 cents per share.”

Managing Director Simon Moutter said a relentless focus on the customer is driving Spark New Zealand forward.

“Over the last year we’ve continued to improve the experience for our customers, lower our prices and introduce some exciting new digital services. We’ve rapidly built up our understanding of customers through a range of new programmes and engagement channels. We’re investing more in the mobile and data products and services that really matter to our customers and as a result more customers are choosing to be with Spark.

“For example, our growth in the mobile market has been excellent. In the second half of the year we added another 83,000 mobile connections. That means we’ve added around 280,000 mobile connections since the closure of the CDMA network in mid-2012, and now have over two million mobile connections.

“The tough calls we have made to become more competitive and more productive have allowed room, alongside the funds freed by our divestment of AAPT in Australia, for investment in the areas where our customers are telling us they want us to be. That means more online and digital customer services, Cloud capability, 4G mobile and value-added services, online entertainment and more.

“These include an internet TV service called Lightbox, Ultra Fibre across all available areas, a partnership with the Spotify music service, free WiFi through public hotspots nationwide, a smart data business called Qrious and a host of other exciting new businesses emerging out of our Spark Ventures incubator team.

“We’ve also continued to invest in building an outstanding data network, upgrading our core transport network and information technology systems, expanding Cloud computing capability through the acquisition of Appserv, developing more data centre capacity and acquiring more 700 MHz spectrum for 4G mobile data than anyone else.

“And just two weeks ago on 8 August, we reached another big milestone when we officially changed our company and core brand names to Spark. We absolutely believe this is an essential next step. It’s the right thing to do for our customers and for our shareholders as we position the business for the future. The reaction to the new brand since launch has been really positive.

“Spark Home, Mobile and Business (formerly Telecom Retail) has had an excellent year. Revenues have grown for the first time in many years, with mobile revenue growth of 10.4% now outweighing the slowing decline in fixed voice revenue. Our share of the intensely competitive broadband market was stable, while broadband revenue decline flattened out in the second half of the year.

“Spark Digital (formerly Gen-i) has continued its rapid repositioning towards Cloud infrastructure, mobility, managed ICT and platform-as-a-service. The financial results reflect this repositioning, with IT services margin growth exceeding revenue growth and with a significant sales pipeline of new business. In particular, IT services revenue growth was 10.1% in the second half of the year.”

“The acquisition of Appserv in July 2014 adds to the significant investment across Spark New Zealand in business Cloud services and provides a major new piece in the Cloud jigsaw. The combined capabilities of Spark Digital, Appserv and Revera mean we can now meet the Cloud computing needs of all New Zealand businesses including small and medium enterprises (SMEs). To date the Cloud and digital strategy is going well, with Revera in particular growing its revenue at a double-digit rate.

“In June 2014 we successfully completed the first phase of a major re-engineering programme which delivered significant improvements to foundation system capabilities and to the prepaid mobile customer interface.

“During the year, Spark New Zealand committed to invest \$158 million in 700MHz spectrum. This gives us the competitive advantage of being the only mobile network operator with four

5 MHz pairs of this spectrum, which is critical to the performance and economies of nationwide 4G mobile. This is backed up by a leading data network integrating 3G, 4G, WiFi, ADSL, VDSL and Fibre, underpinned by a nationwide optical transport fibre network providing anytime, anywhere connectivity for customers.”

Financially, total operating revenues from continuing operations were down 2.6% from \$3,735 million to \$3,638 million. Much of this was attributable to the ongoing decline in legacy fixed products. Strong mobile performance saw total mobile revenue up 6.0%, helping to offset the fixed revenue decline. Operating expenses from continuing operations were down 5.6% largely due to a continuing focus on productivity through the Turnaround programme and cycling the FY13 restructure and asset impairment expenses.

Mark added, “The Board also acknowledges the outstanding passion, hard work and commitment of all the people at Spark New Zealand. We firmly believe that the collective determination shown over the last 18 months has given Spark New Zealand the performance impetus needed to succeed.

“As a result, we believe we are now in a good position to make even more of a difference. For our customers, for our shareholders and for New Zealand. The 2014 financial year has provided a solid foundation for the 2015 financial year. We’re looking forward to it. As Spark New Zealand, we intend to push even harder to listen to our customers and deliver for them, with an objective to achieve modest earnings growth in the FY15 financial year.”

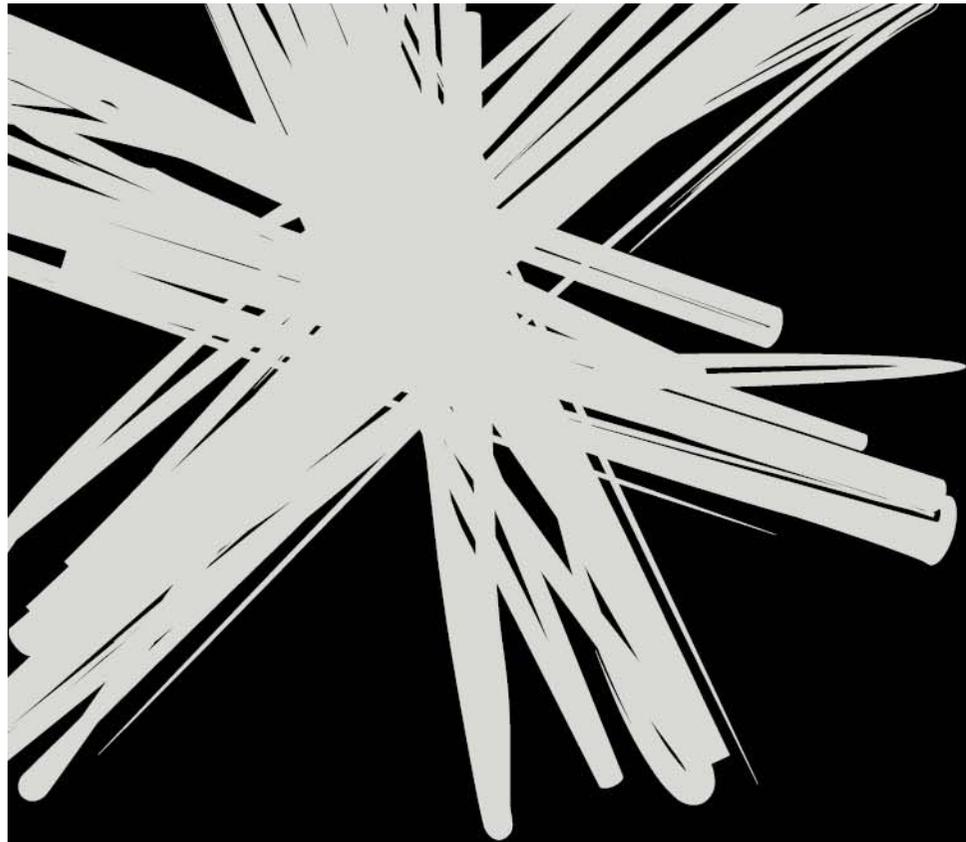
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For media queries, please contact:

Richard Llewellyn
Head of Corporate Communications
+64 (0) 27 523 2362

For investor relations queries, please contact:

Mark Laing
General Manager Corporate Finance
+64 (0) 27 227 5890



Spark starts here.

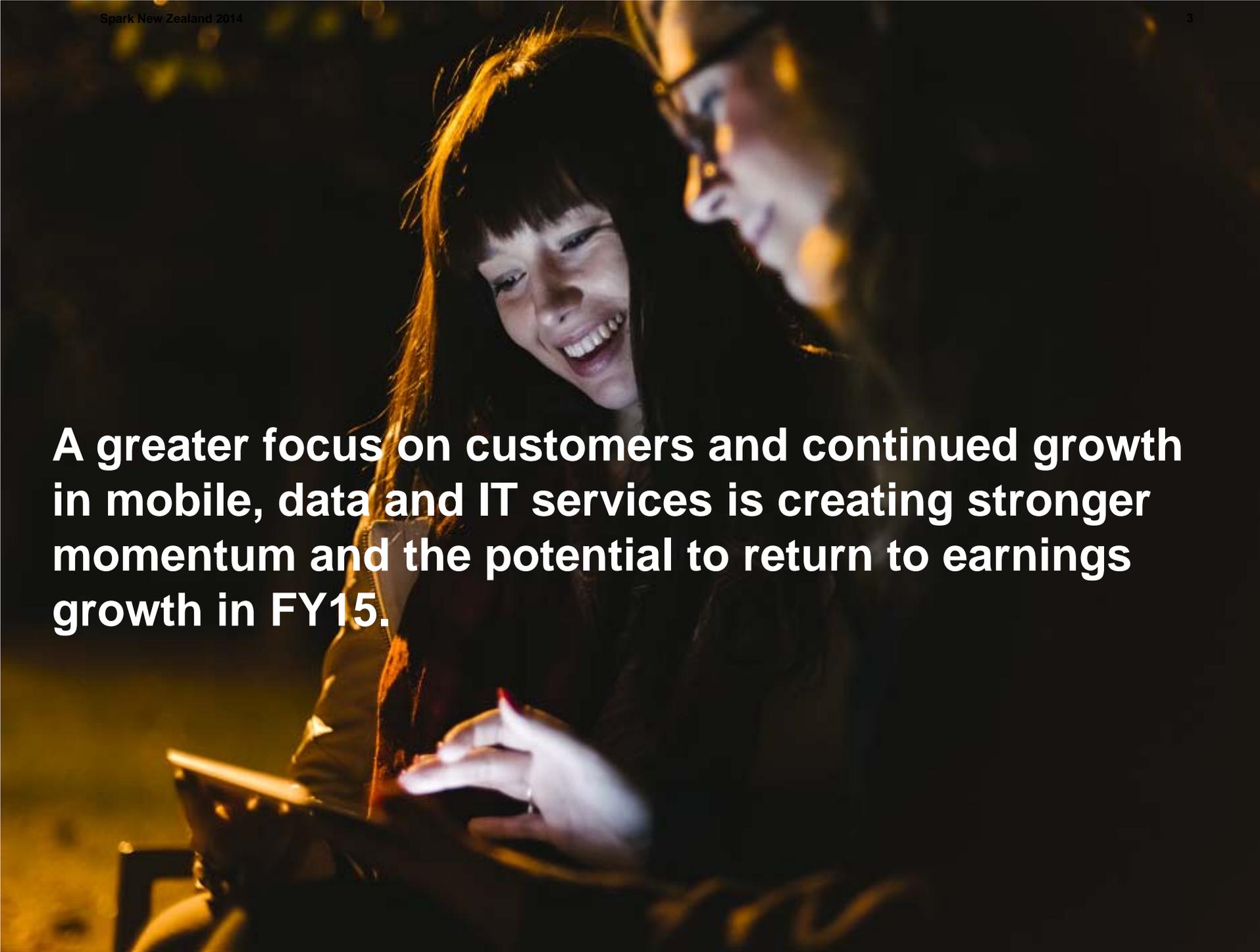
Spark New Zealand Annual Results 2014
Investor Presentation



**Spark is more than a name change.
It reflects enormous change for our customers
and our business.**

**Our ambition is to be a winning business,
inspired by customers to unleash the potential
in all New Zealanders. Join our journey.**





A greater focus on customers and continued growth in mobile, data and IT services is creating stronger momentum and the potential to return to earnings growth in FY15.

2014 Highlights

Delivering for customers, delivered earnings guidance, momentum gathering

- A stronger performance in H2 indicates potential to return to earnings growth, driven by improving customer preference leading to continued growth in mobile, data and IT services
- Spark Home, Mobile & Business (Retail) now in revenue growth, driven by strong mobile revenue gains
- Focus on productivity via Turnaround has helped increase business momentum and cash generation. This has allowed – alongside the proceeds of the sale of AAPT – more strategic investment in growth areas:
 - Internet TV – Lightbox built and launched
 - Cloud computing – Revera and Appserv acquired, Data Centre build expanded
 - Big data business Qrious built and launched
 - Wireless data – 4G rollout, 700 MHz spectrum acquired, nationwide WiFi
- Spark Digital (Gen-i) grew EBITDA in H2 and secured a number of significant new contracts to underpin investments in Cloud computing
- Delivered major enhancement projects to upgrade the Spark Network (4G, OTN) and IT systems capability (Re-engineering Release 1)
- Spark New Zealand brand strategy culminated in adoption of new core brand on August 8
- On track with strategic goals to be #1 in data, mobility, effortless customer service and cost
- Return to EBITDA and net earnings growth expected in FY15
- Capex (excluding delayed spectrum payment) forecast to decrease to around \$420m in FY15
- Consistent with our aspiration to sustainably grow ordinary dividends, H2 dividend increased to 9.0 cps, with a return to full imputation

Results Scorecard

Improving key financials			Improving product revenue			Growing market share and connections		
	FY14	H2		FY14	H2		30 JUNE 2014	CHANGE
Revenue Growth	(2.6%)	(2.1%)	Mobile Revenue Growth	6.0%	6.1%	Mobile share (revenue)	39% ⁽¹⁾	2% (approx)
						Mobile customers	2.0 million	10.5%
Adjusted EBITDA Growth	(4.0%)	(2.2%)	Broadband Revenue Growth	(3.5%)	(0.6%)	Broadband share (connections)	47% ⁽¹⁾	(0.5%)
						Broadband customers	669,000	3.1%
DPS	17.0	9.0	IT services Revenue Growth	5.8%	9.2%	IT services share (revenue)	14% ⁽¹⁾	1% (approx)

⁽¹⁾ Spark New Zealand estimate

At the start of FY14, we set big targets

A more competitive organisation:

A new winning culture which is performance driven, more agile and competitive	Achieved
On track to crystallising an additional \$100-\$200m of annualised benefits from re-engineering, cost out and simplification programmes	Over Achieved

Success in the market:

A 1-2% point increase in mobile market service revenue share – with prepaid mobile completely re-platformed, 4G LTE launched	Achieved
Greater brand cut-through and preference in key markets	Achieved
Stabilising broadband market connection share - VDSL and fibre products take-up accelerated	Achieved
Double digit revenue growth from Spark Digital (Gen-i) networked ICT – with expanded data, mobility and Cloud capability	Achieved in H2

Success for the future:

At least four new highly differentiated offers to consumer & SME customers	Achieved
Clear strategic path forward for Australia	Achieved
Spark Ventures (Digital Ventures) having launched a portfolio of new products and services	Achieved

We've been following a clear strategy

Ambition

A growing New Zealand business, winning by customers choosing us to connect them at the speed of life.

Goals

**#1 in mobility
#1 in data
#1 in effortless service and cost**

Strategic Priorities

**Revolutionise
customer
experiences**

**Simplify the
business**

**Win key
markets**

**Win the
future**

People, Brands, All Data Network, Turnaround Programme

Since then, we've executed relentlessly

Revolutionise customer experiences	Simplify the business
<ul style="list-style-type: none"> • Expanded digital self-service: <ul style="list-style-type: none"> • Spark smartphone App • Increased e-Bill use • New digital customer capability in R1 of re-engineered IT stack • Relunched Business Hubs 	<ul style="list-style-type: none"> • R1 of re-engineered IT stack • Turnaround Programme delivering at top end of expectations • Sold AAPT to focus on New Zealand • Refocused Spark Digital strategy around network and infrastructure core
Win key markets	Win the future
<ul style="list-style-type: none"> • Spark brand change successfully launched • Rapid rollout of 4G and OTN upgrade • Differentiated customer offers: <ul style="list-style-type: none"> • Spotify partnership • Expansion of WiFi footprint • Launched Ultra Fibre in all LFC regions • Launched Big Pipe • Partner collaborations e.g. SAP, Cisco, Telstra 	<ul style="list-style-type: none"> • Invested in customer inspired culture • Gained 700 MHz spectrum leadership • Invested in Cloud Computing and Data Centres • Strategic investments: <ul style="list-style-type: none"> • Acquisition of Appserv • Launched Lightbox • Launched Qrious • Invested in Vigil and App la Carte

We invested in Spark as a new core brand



Spark Home, Mobile & Business provides access to technology in new and innovative ways to help New Zealanders and New Zealand businesses move forward and reach their goals



Spark Digital is focussed on supporting the success of New Zealand businesses both here and wherever they want to operate in today's globally connected world.



Spark Ventures will be accelerating the Company's future focus and pace of innovation, and delivering new services and businesses such as WiFi, internet TV and Smart Data analytics.



Spark Connect will deliver the technology, products and processes to ensure great customer experiences and world-leading connectivity via the Spark Network.

SPECIALTY AND FLANKING BRANDS



- To be relevant to more customers
- To accelerate the process of reinvention
- To provide the flexibility needed for a digital future
- To drive increased brand preference and customer consideration
- Early impact of brand change is very encouraging



And we've honed our strategy

Ambition

At Spark, our ambition is to be a winning business, inspired by customers to unleash the potential in all New Zealanders

Goals

#1 in mobility
#1 in data
#1 in effortless service and cost

Strategic Programmes

Winning key markets

Turnaround

Spark Talent

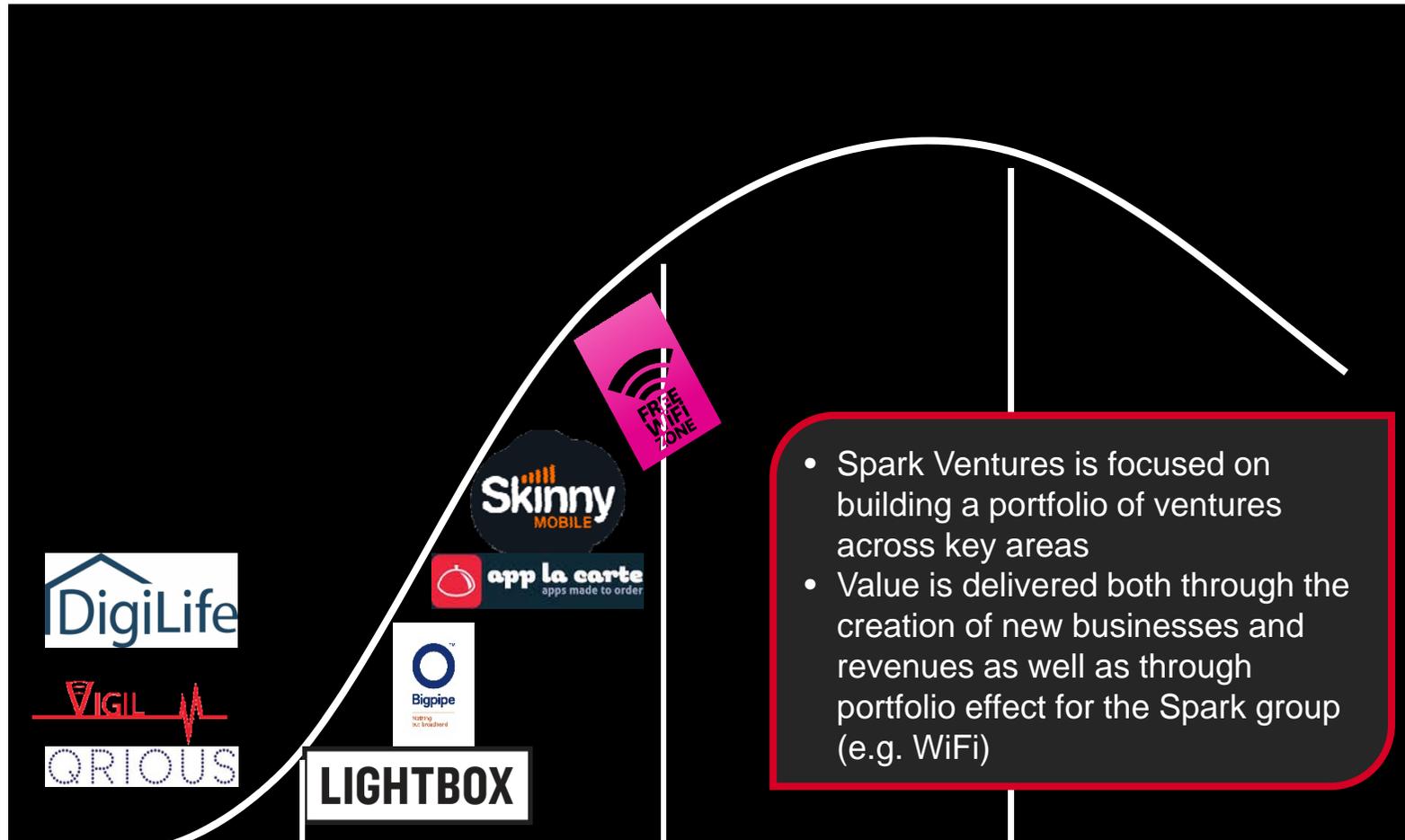
Customer inspired

Spark brands

Foundation

New Zealand's best data network

Spark Ventures portfolio



Financial Results.

Group Profit & Loss

Reported Results	FY14 \$M	FY13 \$M	CHANGE %
Total Revenues	3,638	3,735	(2.6%)
Operating Costs	2,702	2,861	(5.6%)
EBITDA	936	874	7.1%
Depreciation & Amortisation	451	459	(1.7%)
Net financing costs	31	42	(26.2%)
Tax expense	131	103	27.2%
Net Earnings – continuing operations	323	270	19.6%
Net Earnings – discontinued operations	137	(32)	NM ⁽¹⁾
Net Earnings	460	238	93.3%

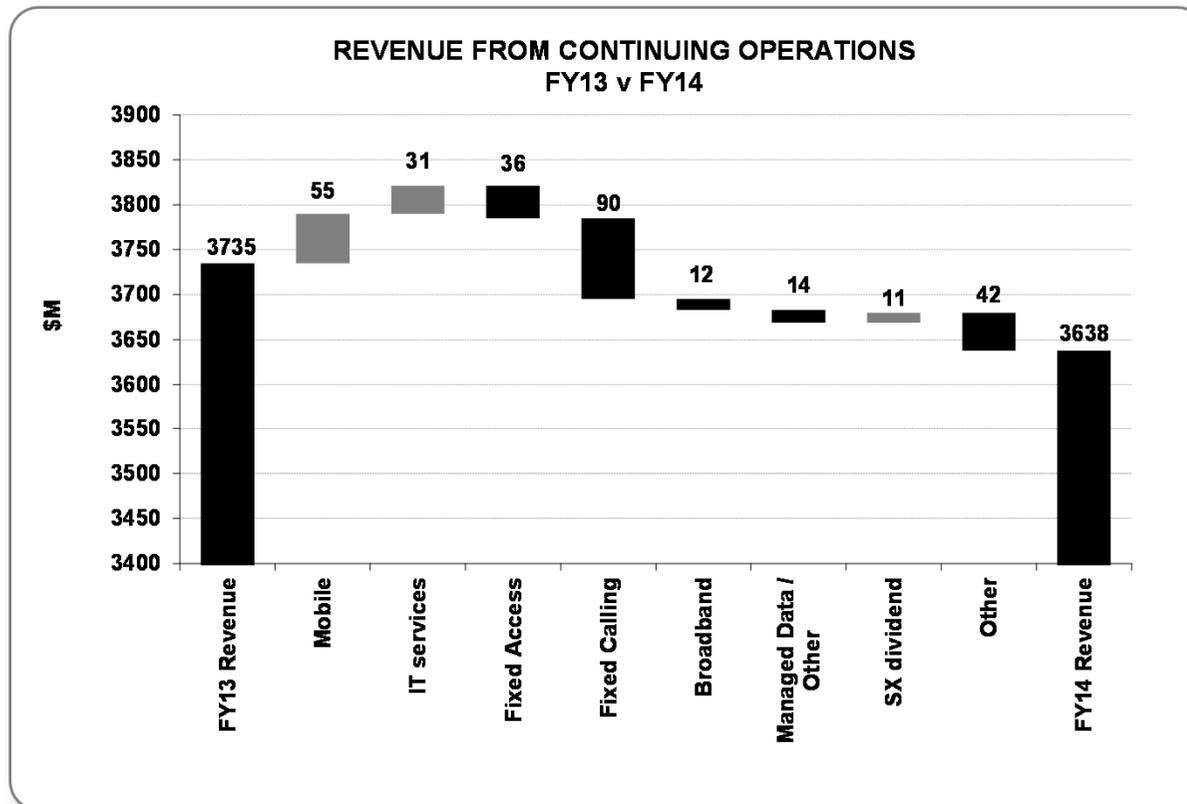
(1) NM = Not Meaningful comparison

Group Profit & Loss (adjusted)

Adjusted	FY14 \$M	CHANGE %	H2 FY14 \$M	CHANGE %
Total Revenues	3,638	(2.6%)	1,791	(2.1%)
Operating Costs	2,702	(2.1%)	1,307	(2.1%)
EBITDA	936	(4.0%)	484	(2.2%)
Depreciation & Amortisation	451	(1.7%)	224	(3.0%)
Net financing costs	31	(26.2%)	14	(30.0%)
Tax expense	131	5.6%	70	12.9%
Net Earnings – continuing operations	323	(7.7%)	176	(3.3%)

FY14 Revenues

Strong Mobile and IT Services growth close to offsetting fixed calling declines



- Mobile and IT Services revenues up 6.0% and 5.8% respectively
- Significant slowdown in rate of fixed revenue decline, 9.2% in H1, 5.4% in H2
- Broadband market remains extremely competitive
- Southern Cross dividends of \$67m in FY14, \$24m in H2

Mobile update

Mobile momentum building as we grow back over the 2.0 million customer milestone

	FY14 \$M	FY13 \$M	CHANGE %
Revenues ⁽¹⁾	965	910	6.0%
Service Revenues	724	713	1.5%
Direct margin	599	572	4.7%

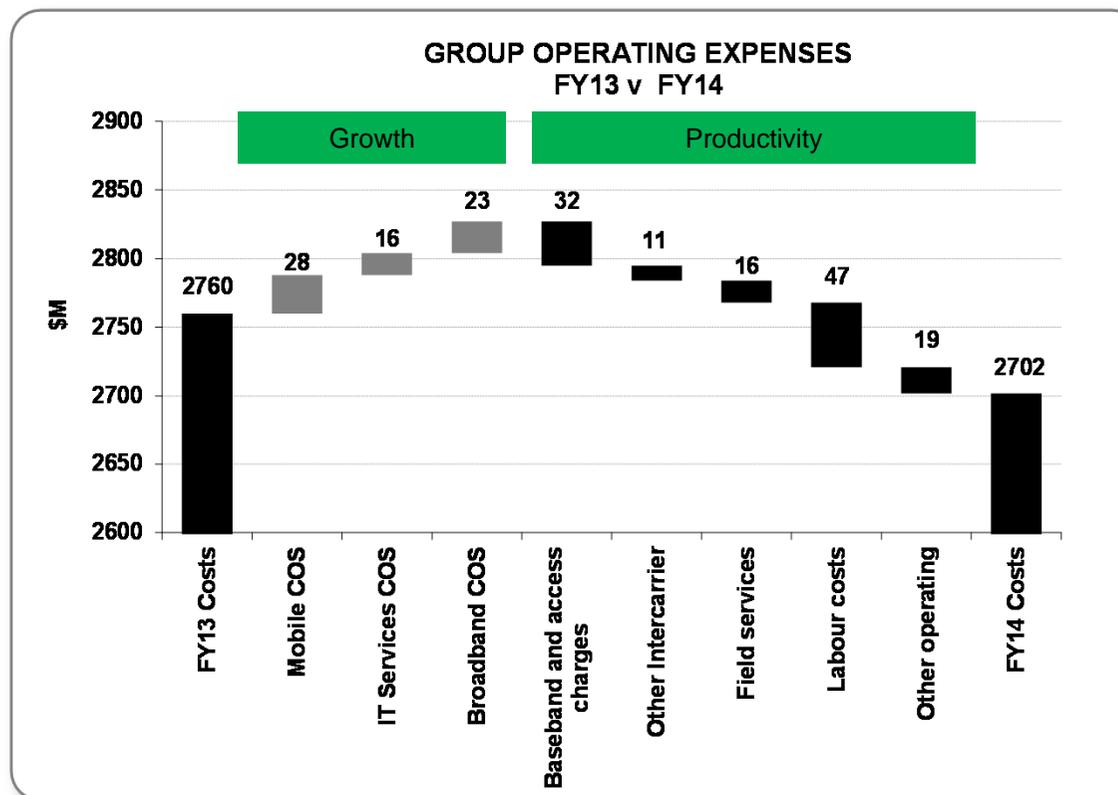
	(000's)	(000's)	CHANGE
Connections	2,006	1,815	10.5%
Postpaid	985	920	7.1%
Prepaid	1,021	895	14.1%

- Growth in Spark Home, Mobile & Business, partly offset by price pressure in Spark Digital
- Customers preferring open term plans, with no increase in churn
- SARC management and open term plans driving margin improvement
- Mobile connection growth driven by differentiated offers supported by better sales and marketing execution

⁽¹⁾ Excludes Wholesale Mobile Revenues

FY14 Costs

Disciplined approach to cost management resulting in net cost reduction of \$58M



- Growing Mobile, Broadband and IT Services business volumes driving increased cost of sales
- Turnaround programme gains momentum, contributing to reduction in labour and operating cost

Future revenue trends

Growth from Mobile, IT Services and new sources of revenue projected to offset fixed revenue decline by FY17

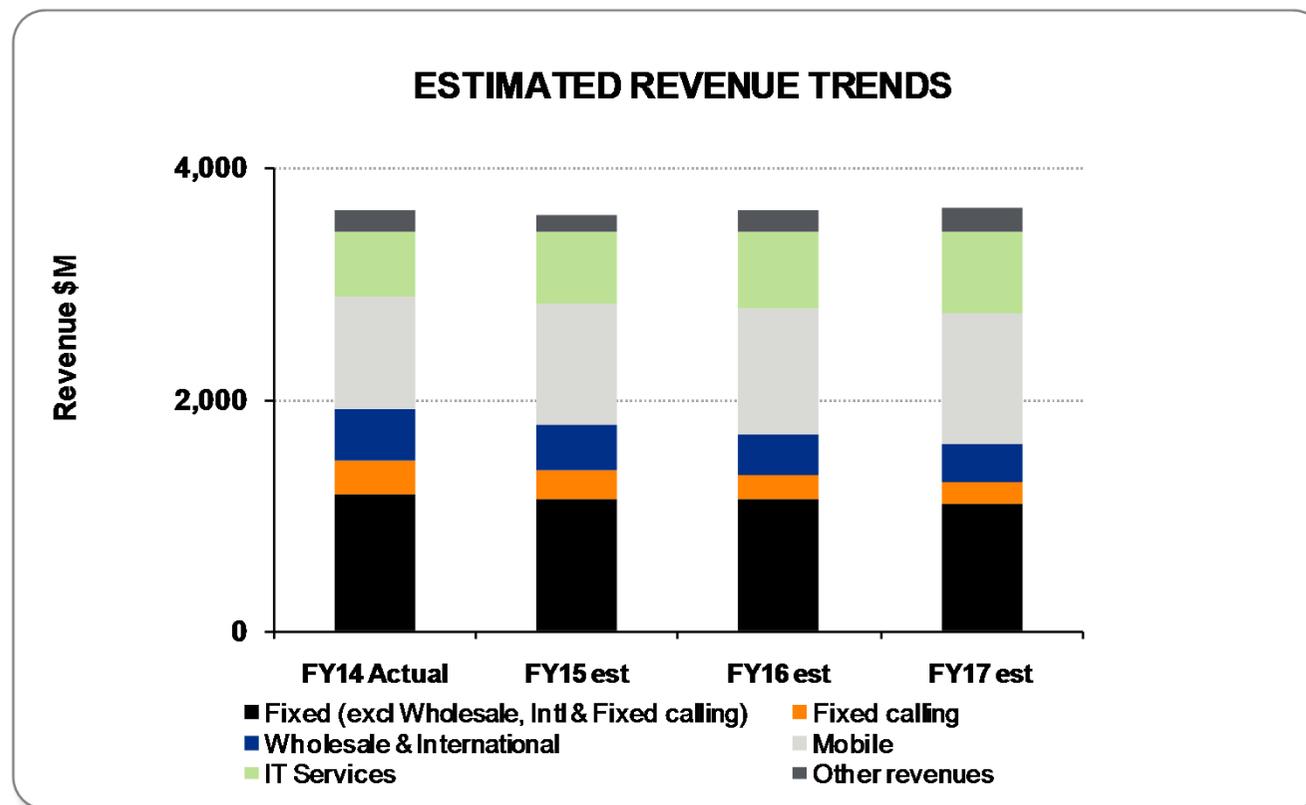
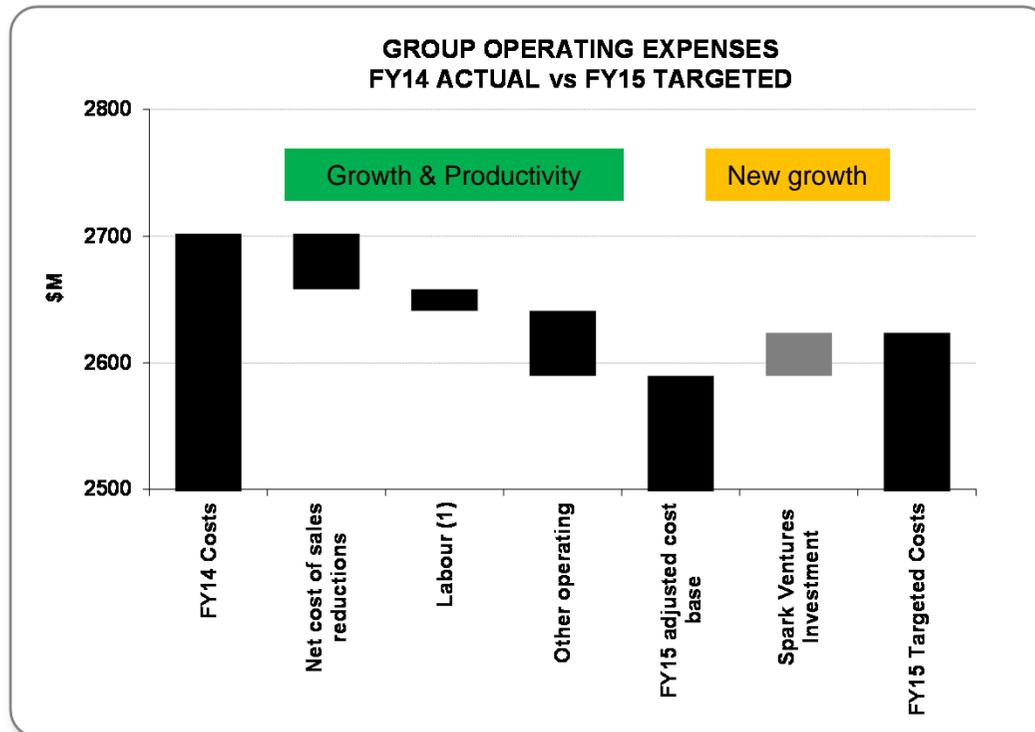


Chart illustrative only, not intended as guidance

Targeted FY15 Costs

Turnaround programme expected to deliver significant productivity benefits in FY15



FY15 targeted net cost reductions reflect:

- Forecast growth in Mobile, Broadband and IT Services cost of sales
- Expected UBA cost reductions
- Turnaround programme delivering benefits across all cost categories
 - Procurement and efficiency savings
 - Labour cost savings partially offset by ALu insourcing, to drive savings in other operating costs
- Growth in our future services of Lightbox, Qrious and other new ventures

(1) Excludes growth in Spark Ventures

Chart illustrative only, not intended as guidance



**Spark Home, Mobile
& Business**

Spark Home, Mobile & Business

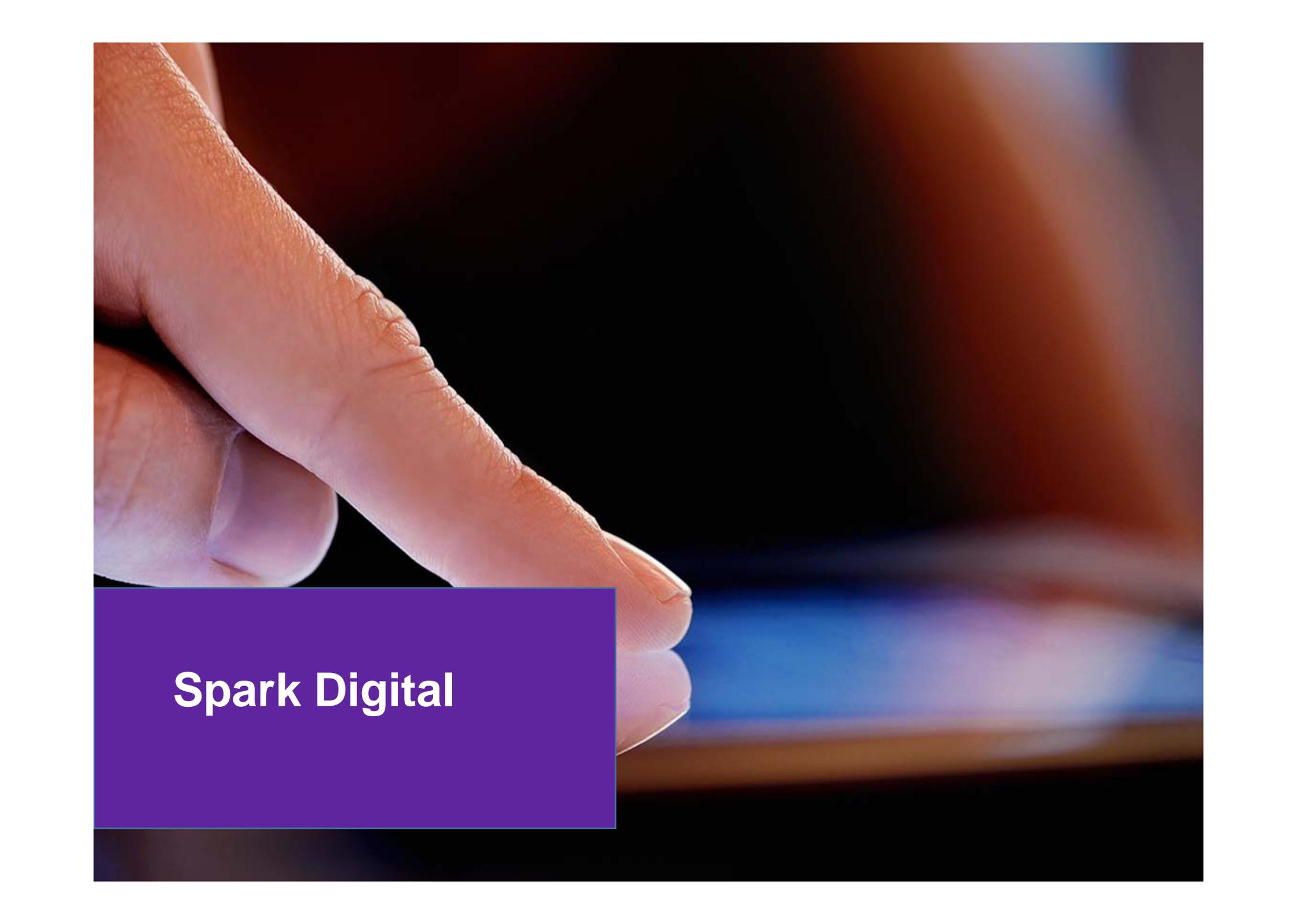
Winning in the market saw us achieve revenue and EBITDA growth in H2

	FY14 \$M	CHANGE %	H2 FY14 \$M	CHANGE %
Revenues	1,794	0.7%	893	1.8%
Fixed	1,023	(5.0%)	507	(4.3%)
Mobile	744	10.4%	372	11.4%
Other	27	(10.0%)	14	7.7%
Costs	1,109	2.6%	536	2.1%
EBITDA	685	(2.1%)	357	1.4%

Achieved revenue and EBITDA growth in H2 through:

- Strong performance in mobile through customers choosing our brands and propositions
- Differentiated offers like WiFi and Spotify are valued by customers
- Digital self service providing better customer experience
- Slowdown in rate of fixed decline as we focus on value in broadband
- Simplification and customer focus reducing cost

Results include Skinny EBITDA and Spark Ventures investment

A close-up photograph of a hand holding a smartphone. The hand is positioned on the left side of the frame, with the thumb and index finger visible. The smartphone is held horizontally, and its screen is visible on the right side. The background is blurred, showing a dark surface and some light-colored elements. A purple rectangular overlay is positioned in the bottom-left corner of the image, containing the text "Spark Digital" in white, bold, sans-serif font.

Spark Digital

Spark Digital

Leveraging our cloud and data centre investments to further grow our IT business

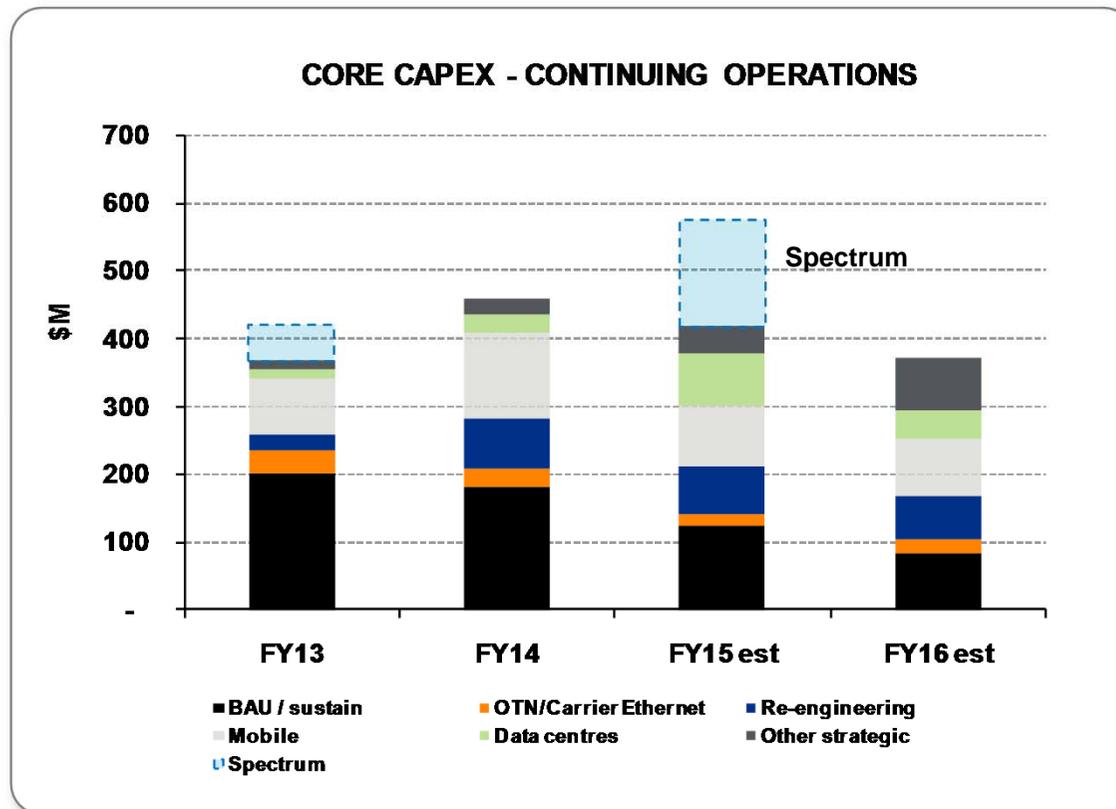
	FY14 \$M	CHANGE %	H2 FY14 \$M	CHANGE %
Revenues	1,288	(1.5%)	645	0.2%
Fixed	451	(8.7%)	222	(7.1%)
Mobile	221	(6.4%)	106	(8.6%)
IT Services ⁽¹⁾	320	9.2%	161	12.6%
IT Procurement & Other	296	4.2%	156	6.8%
Costs	889	(1.8%)	439	(1.1%)
EBITDA	399	(0.7%)	206	3.0%

- EBITDA growth in H2, due to growing momentum in IT Services
- Strong new business wins e.g. Ministry of Social Development and Transpower
- Improving service delivery and operating capability
- Mobile remains very competitive

⁽¹⁾ Excludes IT procurement revenue

Capex

Targeted investment to drive sustainable long term growth within tightly managed Capex envelope



- IT stack re-engineering programme is on track, with Release 1 completed in May 2014
- 2x20 MHz of 700MHz spectrum purchased in August FY15 (delayed from FY14 by prolonged auction process)
- OTN, 4G and Wi-Fi investment to build the best and lowest cost data network
- Takanini data centre investment completes in H1 FY15
- Targeting sustainable long term core Capex of below \$400m per annum

Capital management

Principles	<p>Return business to sustainable growth</p> <p>Reposition business portfolio in line with strategy</p> <p>Remain committed to conservative capital structure and single 'A Band' Credit Rating</p> <p>Preferred method of shareholder distributions is to sustainably grow ordinary dividends over time</p>
Outcomes	<p>Significant free cash flow generated from Turnaround Programme and sale of AAPT enabling:</p> <ul style="list-style-type: none">• Investment in business growth• Strategic investments including spectrum• H2 FY14 dividend of 9 cps, fully imputed



Outlook for FY15

—

FY15 Guidance

	FY14 actual	FY15 guidance ⁽¹⁾
Total Revenue	\$3.6bn	low single digit decline
Adjusted EBITDA	\$936m	low single digit growth
Capex (excl spectrum)	\$459m	around \$420m
Spectrum	Nil	\$158m
DPS	17.0cps partially imputed	18.0cps ⁽²⁾ likely fully imputed

⁽¹⁾ Relative to FY14 continuing operations. Assumes UBA and UCLL pricing in line with IPP. Excludes rebranding costs

⁽²⁾ Subject to no adverse change in operating outlook

In FY15 our success will be measured by:

1. Further gains in a winning culture which is inspired by customers, performance driven and highly competitive
2. Spark brands programme driving greater brand differentiation, leadership, cut through and preference in key markets
3. Mobile market revenue share growth of 1.0 - 1.5pp
4. Broadband market revenue share maintained
5. Double digit revenue growth from Cloud services
6. Successful introduction of Lightbox, with >70k paying subscribers by 30 June 2015
7. Deploy 4G using 700 MHz spectrum and deliver R2 of the re-engineered IT stack
8. Complete the Turnaround Programme and embed the methodologies into business as usual
9. Return to EBITDA and net earnings growth

At our investor day in May 2013 we set out a bold strategy to transform the company, in two clear phases

FY14 & FY15: Stabilise revenue/margin and reduce costs

FY16 & beyond: Drive market revenue/margin growth with continuing improvement in unit costs

We are ahead of plan and confident we are pursuing a sound strategy

Disclaimer

This announcement may include forward-looking statements within the meaning of the U.S. Securities Exchange Act of 1934 regarding future events and the future financial performance of Spark New Zealand. Such forward-looking statements are based on the beliefs of management as well as on assumptions made by and information currently available at the time such statements were made. These forward-looking statements may be identified by words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could' 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 in Spark New Zealand's annual report and related corporate governance statement, available at www.sparknz.co.nz/about/governance) 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 and Australia; 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. 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.

Non-GAAP financial measures

Spark New Zealand results are reported under NZ IFRS. This announcement includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in this presentation include:

- **EBITDA.** Spark New Zealand calculates EBITDA by adding back (or deducting) depreciation, amortisation, finance expense/(income), and taxation expense to net earnings/(loss) from continuing operations.
- **Adjusted EBITDA.** Adjusted EBITDA excludes significant one-off gains, expenses and impairments.
- **Capital expenditure.** Capital expenditure is the additions to property, plant and equipment and intangible assets, excluding goodwill and other non-cash additions that may be required by NZ IFRS such as decommissioning costs.
- **ARPU.** Spark New Zealand calculates ARPU as revenue for the period (for mobile this is only voice and data) divided by an average number of customers.
- **Adjusted net earnings.** Adjusted net earnings are net earnings for the year adjusted by the same items to determine adjusted EBITDA, together with any adjustments to depreciation, amortisation and financing costs, whilst also allowing for any tax impact of those items.

Spark New Zealand 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 New Zealand, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZIFRS. Non-GAAP financial measures as reported by Spark New Zealand may not be comparable to similarly titled amounts reported by other companies

Spark New Zealand

Group result - continuing operations

	H1 FY12	H2 FY12	H1 FY13	H2 FY13	H1 FY14	H2 FY14
	\$m	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains	2,002	1,965	1,905	1,830	1,847	1,791
Adjusted operating expenses	1,551	1,453	1,425	1,335	1,395	1,307
Adjusted EBITDA - continuing operations	451	512	480	495	452	484
Depreciation and amortisation expense	237	248	228	231	227	224
Net finance expense	59	21	22	20	17	14
Adjusted tax expense	46	65	62	62	61	70
Adjusted net earnings after tax - continuing operations	109	178	168	182	147	176

Spark New Zealand

EBITDA by business unit

	H1 FY12	H2 FY12	H1 FY13	H2 FY13	H1 FY14	H2 FY14
	\$m	\$m	\$m	\$m	\$m	\$m
EBITDA						
Spark Home, Mobile and Business	338	371	348	352	328	357
Spark Digital	199	226	202	200	193	206
Spark Connect	(61)	(62)	(67)	(47)	(64)	(46)
Corporate	(25)	(23)	(3)	(10)	(5)	(33)
Total EBITDA from continuing operations	451	512	480	495	452	484

Operating revenues and other gains by business unit

	H1 FY12	H2 FY12	H1 FY13	H2 FY13	H1 FY14	H2 FY14
	\$m	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains						
Spark Home, Mobile and Business	938	939	904	877	901	893
Spark Digital	703	682	663	644	643	645
Spark Connect	448	331	339	312	294	280
Corporate	53	50	53	62	67	44
Eliminations	(140)	(37)	(54)	(65)	(58)	(71)
	2,002	1,965	1,905	1,830	1,847	1,791

Group operating revenues and other gains by type

	H1 FY12	H2 FY12	H1 FY13	H2 FY13	H1 FY14	H2 FY14
	\$m	\$m	\$m	\$m	\$m	\$m
Operating revenues						
Fixed revenue						
Access	436	427	419	410	399	394
Voice/Calling	373	348	327	285	272	250
Broadband	188	187	177	169	166	168
Managed data	132	128	126	122	117	118
Other	19	22	18	14	15	16
	1,148	1,112	1,067	1,000	969	946
Mobile revenue						
Service revenue	345	350	360	364	366	369
Other mobile revenue	114	121	105	92	126	115
	459	471	465	456	492	484
IT Services revenue	267	276	269	261	276	285
Other operating revenue	110	98	88	101	102	74
Total operating revenues	1,984	1,957	1,889	1,818	1,839	1,789
Other gains	18	8	16	12	8	2
Total adjusted operating revenues and other gains	2,002	1,965	1,905	1,830	1,847	1,791

Spark New Zealand

Financial breakdown by business unit - Spark Home, Mobile and Business

	H1 FY12 \$m	H2 FY12 \$m	H1 FY13 \$m	H2 FY13 \$m	H1 FY14 \$m	H2 FY14 \$m
Adjusted operating revenues and other gains						
Fixed	596	577	547	530	516	507
Mobile	331	342	340	334	372	372
IT services	1	1	1	1	1	1
Other operating revenue	10	13	15	12	12	13
Other gains	-	3	-	-	-	-
Internal revenue	-	3	1	-	-	-
	938	939	904	877	901	893
Adjusted operating expenses						
Labour	67	68	61	53	56	56
Other operating expenses	414	485	478	453	501	462
Internal expenses	119	15	17	19	16	18
	600	568	556	525	573	536
Adjusted EBITDA	338	371	348	352	328	357

Analysis & KPI's - Spark Home, Mobile and Business

	H1 FY12 \$m	H2 FY12 \$m	H1 FY13 \$m	H2 FY13 \$m	H1 FY14 \$m	H2 FY14 \$m
Fixed revenue by type						
Access	264	255	245	248	247	247
Voice/Calling	163	153	143	130	119	110
Broadband	158	157	149	142	141	143
Managed data	1	1	1	1	-	-
Other	10	11	9	9	9	7
	596	577	547	530	516	507
Access and Broadband revenues by customer type						
Broadband customers	280	288	284	288	293	300
Voice only customers	142	124	110	102	95	90
Local Service						
Broadband connections (000)	598	599	612	630	640	648
Voice only connections (000)	425	377	337	303	273	246
Total Access Lines (000)	1,023	976	949	933	913	894
FTE Permanent	1,787	1,736	1,615	1,435	1,432	1,429
FTE Contractors	124	125	138	131	136	155
FTE Total	1,911	1,861	1,753	1,566	1,568	1,584

Spark New Zealand

Financial breakdown by business unit - Spark Digital

	H1 FY12 \$m	H2 FY12 \$m	H1 FY13 \$m	H2 FY13 \$m	H1 FY14 \$m	H2 FY14 \$m
Adjusted operating revenues and other gains						
Fixed	277	264	255	239	229	222
Mobile	125	126	120	116	115	106
IT services	266	274	266	257	273	283
Other operating revenue	7	8	4	4	3	1
Other gains	4	-	-	2	3	-
Internal revenue	24	10	18	26	20	33
	703	682	663	644	643	645
Adjusted operating expenses						
Labour	159	141	146	120	120	113
Other operating expenses	282	310	296	304	310	308
Internal expenses	63	5	19	20	20	18
	504	456	461	444	450	439
Adjusted EBITDA	199	226	202	200	193	206
Adjusted EBITDA - Telecommunications solutions	180	199	179	171	164	163
Adjusted EBITDA - IT services	19	27	23	29	29	43
Total	199	226	202	200	193	206

Analysis & KPI's - Spark Digital

	H1 FY12 \$m	H2 FY12 \$m	H1 FY13 \$m	H2 FY13 \$m	H1 FY14 \$m	H2 FY14 \$m
Fixed revenue by type						
Access	61	58	56	52	51	49
Voice/Calling	94	87	83	76	71	67
Broadband	28	29	27	26	25	25
Managed data	92	88	88	85	81	78
Other	2	2	1	-	1	3
	277	264	255	239	229	222
IT services revenue by type						
Procurement revenue	103	128	116	114	114	122
Other IT services revenue	163	146	150	143	159	161
	266	274	266	257	273	283
Local Service						
Total Access Lines (000)	74	73	68	67	72	71
Broadband connections (000)	19	20	19	19	21	21
FTE Permanent	2,370	2,379	2,280	1,977	1,869	1,852
FTE Contractors	150	134	114	89	163	174
FTE Total	2,520	2,513	2,394	2,066	2,032	2,026

Spark New Zealand

Financial breakdown by business unit - Spark Connect

	H1 FY12 \$m	H2 FY12 \$m	H1 FY13 \$m	H2 FY13 \$m	H1 FY14 \$m	H2 FY14 \$m
Adjusted operating revenues and other gains						
Fixed	275	271	265	231	224	217
Mobile	3	3	5	6	5	6
IT services	-	1	1	1	1	1
Other operating revenue	60	42	47	43	40	31
Other gains	6	5	-	5	-	-
Internal Revenue	104	9	21	26	24	25
	448	331	339	312	294	280
Adjusted operating expenses						
Labour	82	73	81	60	70	66
Other operating expenses	325	315	319	295	283	255
Internal expenses	102	5	6	4	5	5
	509	393	406	359	358	326
Adjusted EBITDA	(61)	(62)	(67)	(47)	(64)	(46)

Analysis & KPI's - Spark Connect

	H1 FY12 \$m	H2 FY12 \$m	H1 FY13 \$m	H2 FY13 \$m	H1 FY14 \$m	H2 FY14 \$m
Fixed revenue by type						
Access	111	114	118	110	101	98
Voice/Calling	116	108	101	79	82	73
Broadband	2	1	1	1	-	-
Managed data	39	39	37	36	36	40
Other	7	9	8	5	5	6
	275	271	265	231	224	217
Analysis of international transits						
International transit revenue	85	74	71	55	64	48
International intercarrier costs	67	57	55	43	54	41
Local Service						
Total Access Lines (000)	417	440	442	421	414	409
FTE Permanent	2,094	2,146	2,064	1,825	1,856	1,711
FTE Contractors	134	140	138	152	119	57
FTE Total	2,228	2,286	2,202	1,977	1,975	1,768

Spark New Zealand

Financial breakdown by business unit - Corporate

	H1 FY12	H2 FY12	H1 FY13	H2 FY13	H1 FY14	H2 FY14
	\$m	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains						
IT services	-	-	1	2	1	-
Other operating revenue	33	35	22	42	47	29
Other gains	8	-	16	5	5	2
Internal revenue	12	15	14	13	14	13
	53	50	53	62	67	44
Adjusted operating expenses						
Labour	39	39	33	23	20	29
Other operating expenses	28	22	11	27	35	18
Internal expenses	11	12	12	22	17	30
	78	73	56	72	72	77
Adjusted EBITDA	(25)	(23)	(3)	(10)	(5)	(33)

Analysis & KPI's - Corporate

Southern cross dividends - \$m	26	32	19	37	43	24
FTE Permanent	435	449	428	275	185	180
FTE Contractors	24	29	12	18	9	7
FTE Total	459	478	440	293	194	187

Spark New Zealand

Analysis & KPI's - Mobile (Spark Home, Mobile and Business & Spark Digital)

	H1 FY12	H2 FY12	H1 FY13	H2 FY13	H1 FY14	H2 FY14
Mobile revenue						
Service revenue - \$m	342	347	355	358	361	363
Other mobile revenue ¹ - \$m	114	121	105	92	126	115
	<u>456</u>	<u>468</u>	<u>460</u>	<u>450</u>	<u>487</u>	<u>478</u>
New Zealand average revenue per user (ARPU) - 6 month active						
ARPU - \$ per month	28.45	28.54	33.75	33.55	32.78	30.10
Postpaid - \$ per month	53.25	53.51	56.43	54.84	52.79	50.08
Prepaid - \$ per month	10.29	9.41	11.32	11.92	11.90	11.39
Number of mobile customers at period end (New Zealand - Group) - 6 month active						
Postpaid (000)	857	893	863	908	948	979
Prepaid (000)	1,157	1,123	847	895	967	1,021
Internal postpaid (000)	17	15	13	12	8	6
Total mobile customers ² (000)	<u>2,031</u>	<u>2,031</u>	<u>1,723</u>	<u>1,815</u>	<u>1,923</u>	<u>2,006</u>

¹ Other mobile revenue includes handset sales and mobile interconnect

² Mobile connections exclude MVNO connections.

Spark New Zealand

Group operating expenses summary

	H1 FY12	H2 FY12	H1 FY13	H2 FY13	H1 FY14	H2 FY14
	\$m	\$m	\$m	\$m	\$m	\$m
Payments to telecommunications operators						
Baseband and access charges	264	262	245	236	231	218
Other intercarrier costs	169	123	117	106	111	101
Broadband cost of sales	122	119	121	127	133	138
Field services	28	23	25	14	17	6
	583	527	508	483	492	463
Mobile acquisition, procurement and IT services						
Mobile cost of sales	153	183	175	163	193	173
IT Services cost of sales	153	164	156	163	161	174
	306	347	331	326	354	347
Labour	347	321	321	256	266	264
Other operating expenses						
Direct network costs	50	41	42	27	44	30
Computer costs	46	34	39	35	38	33
Accommodation costs	71	53	51	57	43	46
Advertising, promotions and communication	36	27	39	32	44	25
Bad debts	6	2	6	8	16	6
Other expenses	106	101	88	111	98	93
	315	258	265	270	283	233
Total operating expenses	1,551	1,453	1,425	1,335	1,395	1,307

Group FTE's

FTE Permanent - continuing operations	6,686	6,710	6,387	5,512	5,342	5,172
FTE Contractors - continuing operations	432	428	402	390	427	393
FTE Total - continuing operations	7,118	7,138	6,789	5,902	5,769	5,565

Spark New Zealand

Group capital expenditure summary

	H1 FY12	H2 FY12	H1 FY13	H2 FY13	H1 FY14	H2 FY14
	\$m	\$m	\$m	\$m	\$m	\$m
Major programmes						
Optical transport network and carrier ethernet	-	-	14	19	22	5
Re-engineering	-	-	8	17	44	31
Mobile network	46	48	29	55	89	41
Mobile spectrum	-	-	54	-	-	-
	46	48	105	91	155	77
Operating capital expenditure						
Southern Cross	1	3	11	-	10	11
Regulatory	8	7	2	2	1	1
Customer growth and retention	116	123	107	103	100	104
	125	133	120	105	111	116
Total relating to continuing operations	171	181	225	196	266	193
Discontinued operations						
Chorus	136	-	-	-	-	-
AAPT	18	22	21	23	27	8
	154	22	21	23	27	8
Total group capital expenditure	325	203	246	219	293	201

Capital expenditure is presented on an accruals basis.