



MARKET RELEASE

24 February 2021

Spark New Zealand Limited H1 FY21 Results

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

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

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

ASX Appendix 3A.1 will follow this release.

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MARKET RELEASE

24 February 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

¹ Operating revenue and other gains.

² Source: Statistics NZ net migration.

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

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



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

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

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

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

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

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

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

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

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

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



INTERIM FINANCIAL STATEMENTS

FY2021

INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

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

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

Statement of profit or loss and other comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER

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

See accompanying notes to the interim financial statements.

Statement of financial position

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

See accompanying notes to the interim financial statements.

On behalf of the Board



Justine Smyth, Chair

Authorised for issue on 24 February 2021



Jolie Hodson, Chief Executive

Statement of changes in equity

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

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

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

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

See accompanying notes to the interim financial statements.

Notes to the interim financial statements

NOTE 1 About this report

Reporting entity

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

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

Basis of preparation

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

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

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

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

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

Notes to the interim financial statements

NOTE 2 Significant transactions and events for the current period

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

Debt programme (see note 6)

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

Capital expenditure

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

Dividends

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

Wire maintenance customer refunds

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

COVID-19

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

Notes to the interim financial statements

NOTE 3 Segment information

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

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

FOR THE SIX MONTHS ENDED
31 DECEMBER

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

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

Notes to the interim financial statements

NOTE 3 Segment information (continued)

Reconciliation from segment result to consolidated net earnings before income tax

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

Notes to the interim financial statements

NOTE 4 Non-GAAP measures

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

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

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

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

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

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

Notes to the interim financial statements

NOTE 5 Long-term investments

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

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

Investment in associates and joint ventures

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

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

Notes to the interim financial statements

NOTE 6 Debt

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

1 Norwegian krone

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

Notes to the interim financial statements

NOTE 6 Debt (continued)

Net debt

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

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

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

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

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

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

Notes to the interim financial statements

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

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

Notes to the interim financial statements

NOTE 8 Dividends

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

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

1 For H1 FY21, these are based on the exchange rate at 19 February 2021 of NZ\$1 to US\$0.7306 and a ratio of five ordinary shares per one American Depositary Share. The actual exchange rate used for conversion is determined in the week prior to payment when the Bank of New York performs the physical currency conversion.

2 Supplementary dividends are paid to non-resident shareholders.

Dividend Reinvestment Plan

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

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



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

Conclusion

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

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

Basis for Conclusion

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

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

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

Directors' responsibilities for the interim financial statements

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

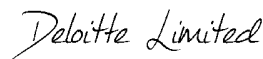
Auditor's responsibilities for the review of the interim financial statements

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

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

Restriction on use

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

The signature of Jason Stachurski, Partner for Deloitte Limited, is written in a cursive script.

**Jason Stachurski, Partner
for Deloitte Limited**

Auckland, New Zealand

24 February 2021

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Ph +64 4 471 1638 or 0800 108 010

Company secretary

Silvana Roest

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Spark New Zealand Limited

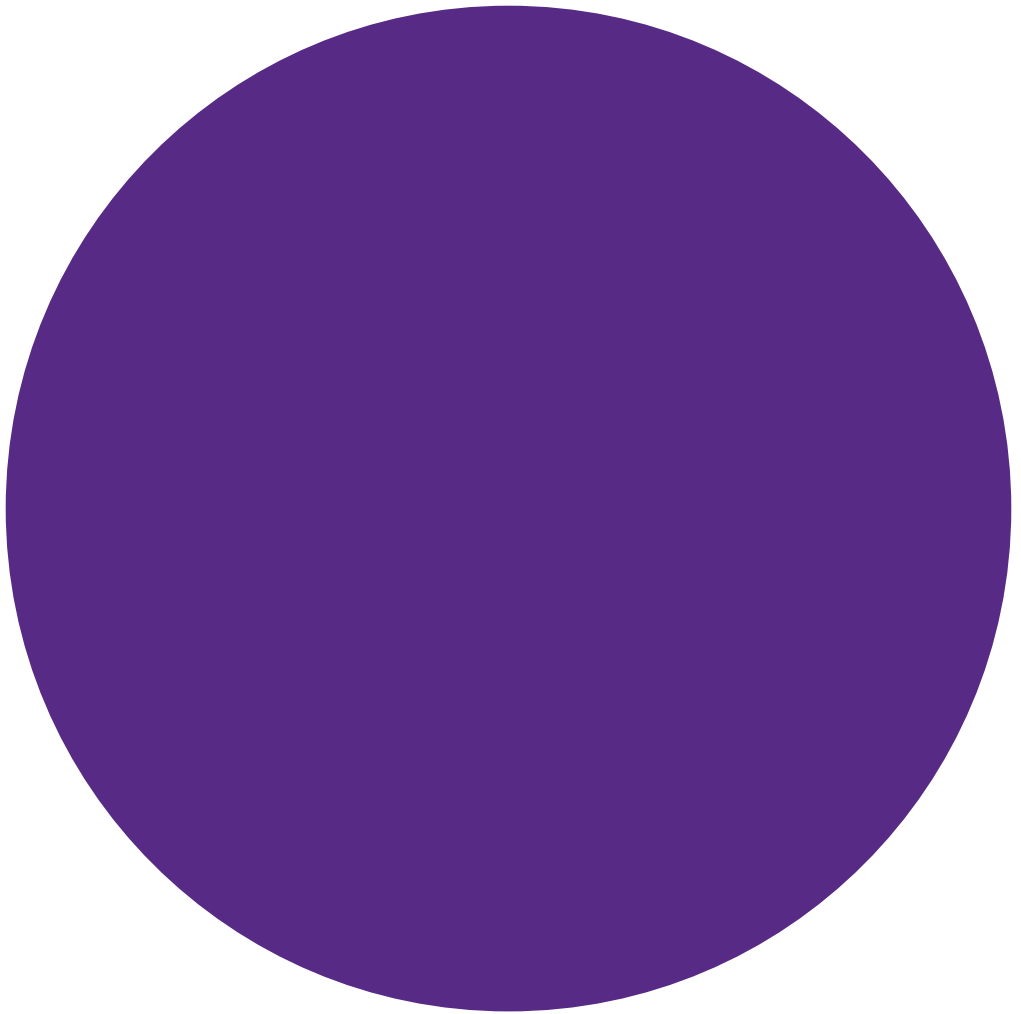
ARBN 050 611 277

United States registry

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

Unaudited financial statements accompany this announcement.

Addendum:

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



Distribution Notice

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

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



Spark New Zealand H1 FY21 Results Summary

Jolie Hodson, Chief Executive Officer
Stefan Knight, Finance Director

Results overview

H1 FY21 snapshot



\$1,796m

REVENUE⁽¹⁾

(1.5%) decrease from H1 FY20



\$502m

EBITDAI⁽²⁾

0.4% increase from H1 FY20



\$148m

NPAT

(11.4%) decrease from H1 FY20



12.5c

H1 FY21 DIVIDEND

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



\$113m

FREE CASH FLOW⁽⁴⁾

126% increase from H1 FY20



\$229m

CLOUD REVENUE⁽⁵⁾

4.6% increase from H1 FY20

⁽¹⁾ Operating revenues and other gains

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

⁽³⁾ Subject to no adverse change in operating outlook

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

⁽⁵⁾ Cloud, security & service management revenue

First half operating conditions

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

⁽¹⁾ Market share estimates sourced from IDC

⁽²⁾ Source: Statistics New Zealand

H1 FY21 Established Market Performance

WIRELESS

MOBILE

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

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

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

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

BROADBAND

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

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

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

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

CLOUD

CLOUD, SECURITY AND SERVICE MANAGEMENT

Cloud, security and service management revenue up 4.6% YoY

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

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

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

⁽¹⁾ Market share estimates sourced from IDC

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

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

Strategic Update: World Class Capabilities and Culture

Building the foundation to ignite revenue momentum as market conditions improve

SIMPLE, INTUITIVE CUSTOMER EXPERIENCES

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

DEEP CUSTOMER INSIGHTS

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

SMART, AUTOMATED NETWORK

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

GROWTH MINDSETS

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

⁽¹⁾ Optical Transport Network

Strategic Update: Future Markets



IoT⁽¹⁾

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



Digital Health

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



Sport

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

⁽¹⁾ Internet of Things

Opportunities to grow the value of Infrastructure assets

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

SPARK INFRASTRUCTURE ASSETS



1,500 mobile sites



35 major network sites



18 Data Centres⁽¹⁾



1,200 km national fibre backhaul network



Satellite station



Ownership stake in 3 sub-sea cables



Metro and regional data networks fibre/wireless

⁽¹⁾ Combination of Tier 2 and 3 facilities

FY21 indicators of success

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

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

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

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

⁽⁴⁾ As part of commitment to Climate Leaders Coalition

Financials

Financial summary

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

(\$28m)
(1.5%)

**Revenue
movement**
vs. H1 FY20

\$30m
2.3%

**Opex
movement**
vs. H1 FY20

\$2m
0.4%

**EBITDAI
movement**
vs. H1 FY20

(\$19m)
(11.4%)

**NPAT
movement**
vs. H1 FY20

\$63m
126%

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

12.5cps
-%

**H1 FY21
Dividend**
vs. H1 FY20

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

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

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

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

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

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

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

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

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

⁽¹⁾Subject to no adverse change in operating outlook

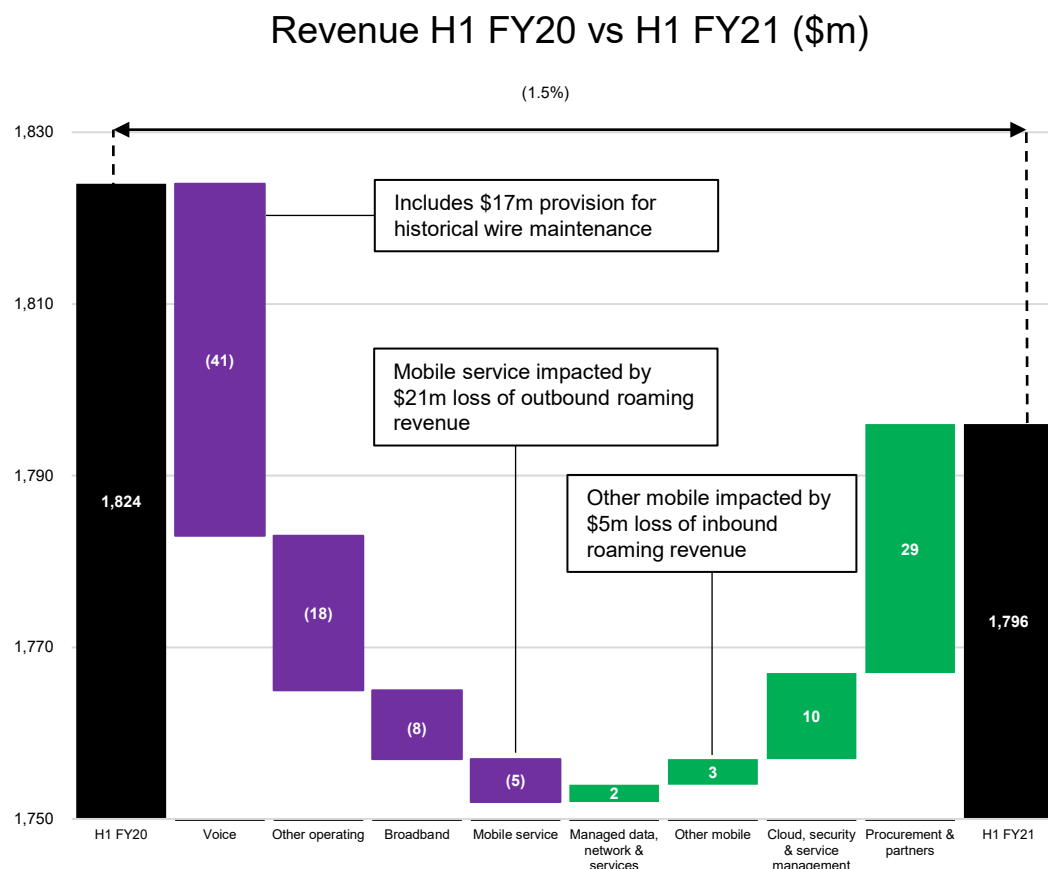
Financials

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

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

Revenue

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



H1 FY21 revenue impacts include:

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

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

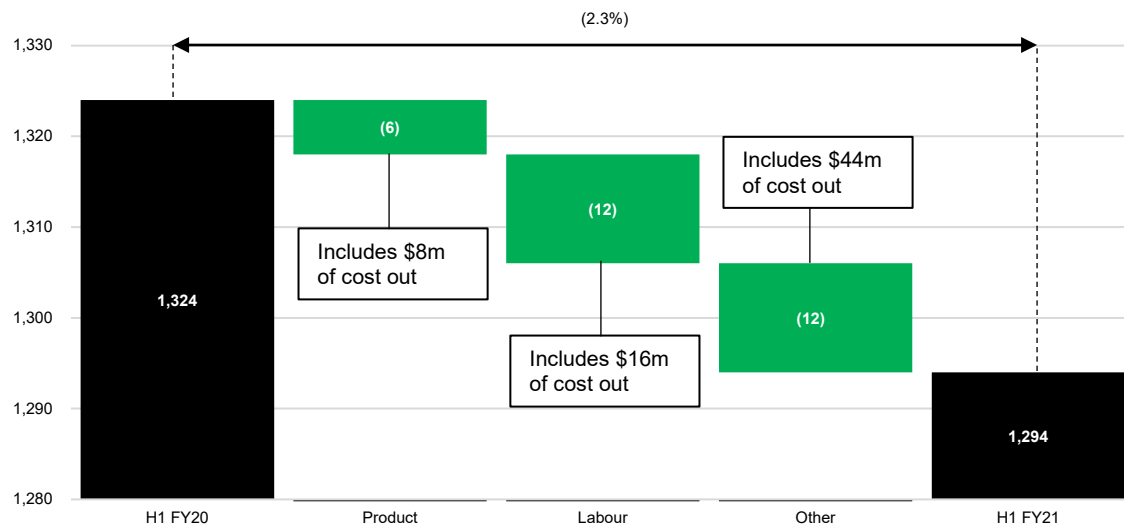
⁽¹⁾ Adjusted to include \$21m of outbound roaming revenue as a result of COVID-19. NOTE: inbound roaming is reported in mobile non-service revenue

⁽²⁾ Market share estimates sourced from IDC

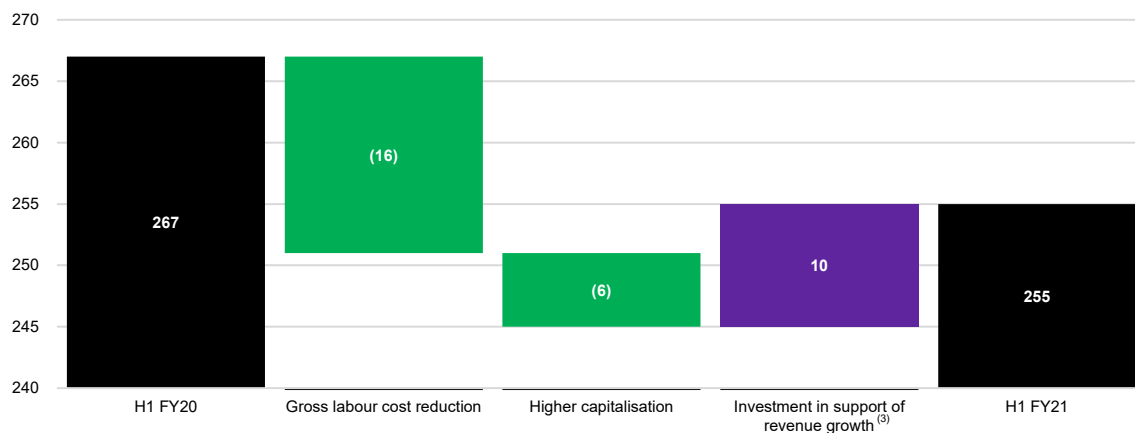
Operating expenses

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

Expenses H1 FY20 vs H1 FY21 (\$m)



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



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

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

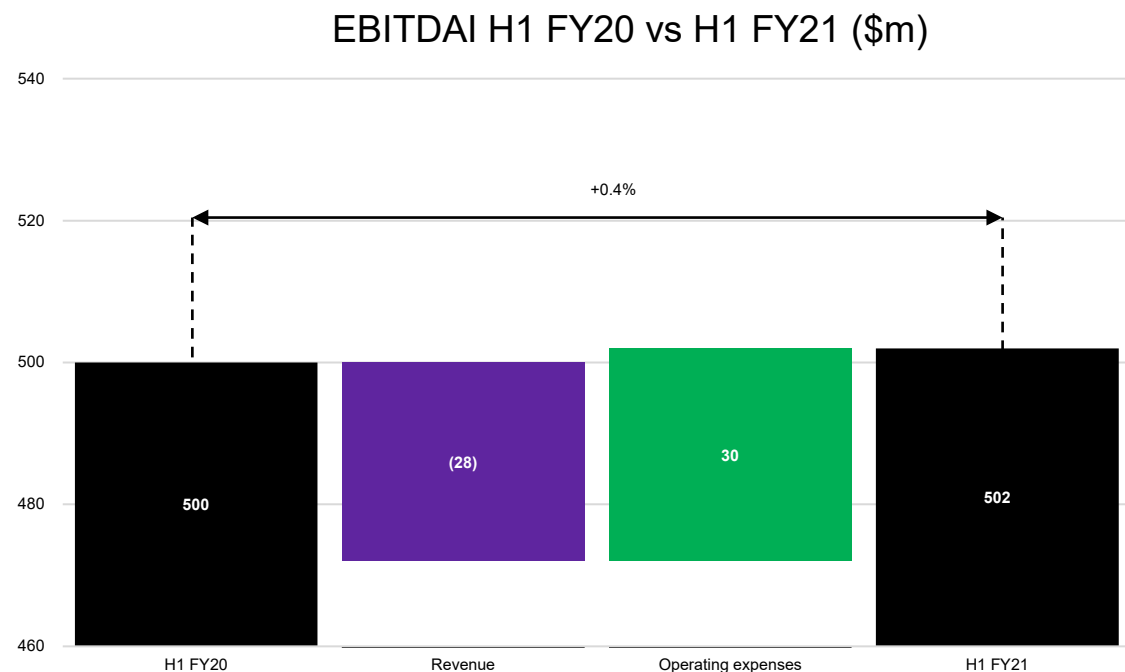
⁽¹⁾Full cost of RWC 2019 was expensed during H1 FY20. H1 FY21 cricket only launched in late November

⁽²⁾Divestment of CCL Network completed in January 2020

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

EBITDAI

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



- EBITDAI maintained through early intervention around cost during COVID-19 lockdowns and then capitalising on improving market conditions to ignite revenue momentum.
 - H1 FY21 COVID-19 impacts of ~\$27m, strong underlying EBITDAI momentum.
 - EBITDAI margin of 28% - on track for FY21 aspiration of 31%.
- Impact of COVID-19 in FY21 expected to be less material at ~\$50m, vs. original estimate of \$75m. This will be partially offset by non-recurring cumulative wire maintenance provision of \$17m.
 - H2 FY21 EBITDAI expected to benefit from stable revenues and continuation of cost-out programme.

Capital investment

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

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

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

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

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

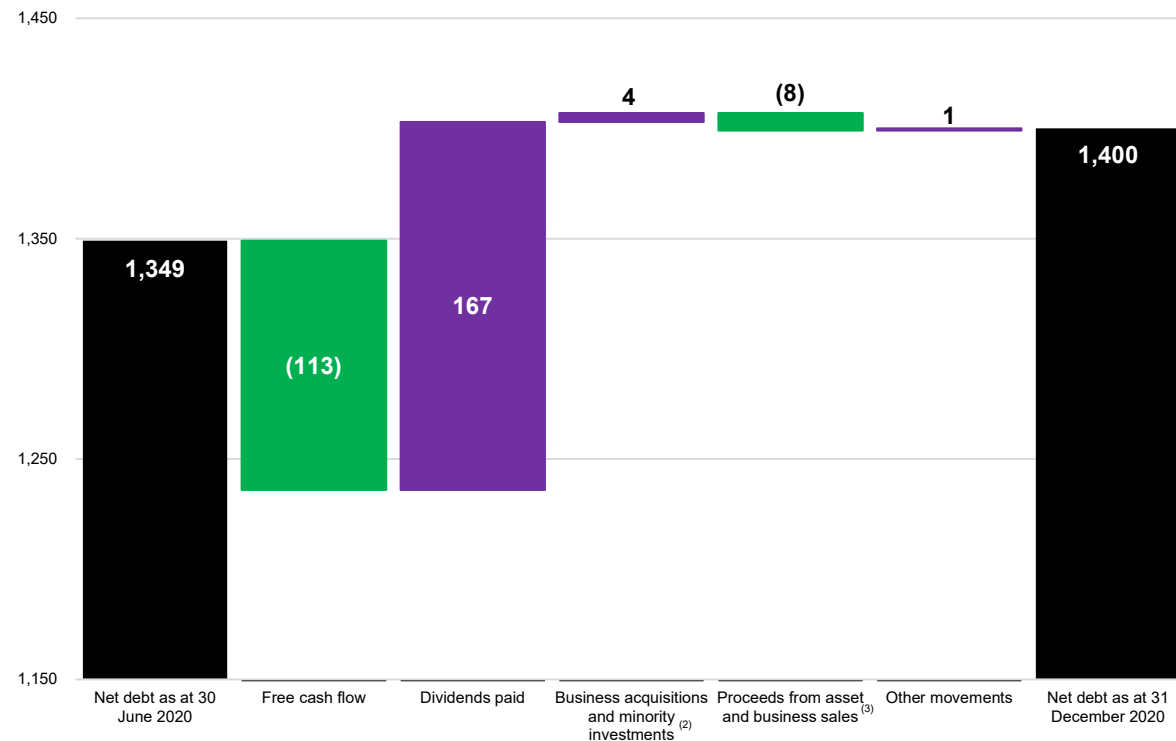
⁽²⁾ International cable includes capacity purchases on Southern Cross cable and investment in Tasman Global Access cable

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

Net debt

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

Movement in net debt during FY21 (\$m)



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

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

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

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

⁽³⁾ Proceeds from strategic Lightbox divestment

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

Free cash flow

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

| | | | | |
|--|-------------------------------|----------------------------|-----------------------------|---|
| H1 FY21 free cash flow growth driven by: | \$113m | \$502m | \$192m | \$42m |
| | FREE CASH FLOW ⁽¹⁾ | EBITDAI | CAPEX | WORKING CAPITAL |
| | 126% increase from H1 FY20 | 0.4% increase from H1 FY20 | 22.3% decrease from H1 FY20 | Improvement in working capital from H1 FY20 |

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

H2 FY21 free cashflow driven by:



⁽¹⁾ The calculation of free cash flow is defined within the 'cash flows' worksheet of the H1 FY21 detailed financials
⁽²⁾ Subject to no adverse change in operating outlook
⁽³⁾ Dividend Reinvestment Plan remains in place for H1 FY21 dividend. Shares issued under the Dividend Reinvestment Plan will be issued at a 2% discount to the prevailing market price as determined around the time of issue

Guidance⁽¹⁾

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

⁽¹⁾ Subject to no adverse change in operating outlook

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

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

SAVE

THE

DATE



Spark^{nz}

Managed Services Presentation

Wednesday 24 March 2021
10.00am

Disclaimer

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

These forward-looking statements may be identified by words such as 'guidance', 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could', 'ambition', 'aspiration' and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Spark New Zealand's control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this announcement.

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

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Group result - reported

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

Gross margin by product

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

Connections

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

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

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

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| |
|--------------------|
| Group FTE's |
|--------------------|

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

Dividends

[illegible]

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Group operating revenues and other gains

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

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

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

Operating revenues and other gains by customer segment

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

Finance income

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

Net investment income

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

Revenue classification changes

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

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

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Group operating expenses

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

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Analysis & KPI's - Mobile

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

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

² Includes MVNO revenue.

³ Includes handset, interconnect and cellphone tower access costs.

⁴ Excludes MVNO connections but includes SIM based SmartWatch connections

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Analysis & KPI's - Voice

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

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

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

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

Analysis & KPI's - Broadband

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

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

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

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

Spark New Zealand

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

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

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

Analysis & KPI's - Procurement and Partners

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

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

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

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

Spark New Zealand

Statement of cash flows

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

Spark New Zealand

Analysis & KPIs - Free cash flows

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

Analysis & KPIs - Movement in working capital

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

Spark New Zealand

Group capital expenditure

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

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

Analysis & KPI's - Capital expenditure depreciation and amortisation

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

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

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