

MEDIA RELEASE

19 FEBRUARY 2015

SPARK NEW ZEALAND FY15 HALF YEAR RESULTS

CUSTOMER FOCUS KEEPS SPARK NEW ZEALAND ON TRACK

Spark New Zealand said today the half-year results for the FY15 financial year show it is continuing to deliver against the milestones set out in its long-term growth strategy.

Chairman Mark Verbiest said, “More than two years ago, we made the decision to build our business around a digital services future inspired by the needs of our customers in a rapidly changing world. At the time, we outlined a two-phase approach: first, resetting the business by stabilising revenue and margins and reducing costs; and subsequently, moving to create value by driving market revenue and margin growth, with continuing improvement in unit costs.

“The first half of the 2015 financial year saw Spark New Zealand remaining on-plan as we near the end of this first phase of repositioning. The decline in core retail product revenues evident in recent reporting periods, due to lower demand for legacy and fixed voice services and sharp declines in broadband pricing, showed further signs of moderating, while underlying net earnings from operations were flat compared with the corresponding period in the previous financial year.”

Earnings before interest, tax expense, depreciation and amortisation (EBITDA) from continuing operations were down 3.5%. This includes the impact of non-recurring rebrand costs and the higher reorganisation costs versus the prior year. Taking these items into account, operating earnings were broadly flat.

Spark New Zealand’s net earnings from continuing operations after tax for H1 FY15 were \$147 million, unchanged from H1 FY14.

Operating revenues from continuing operations declined 2.7%, to \$1,797 million, largely as a result of the ongoing and historical decline in consumer use of legacy fixed and voice products.

Managing Director Simon Moutter said the results reflect the ongoing repositioning of the Company and the execution of its long-term strategy.

“There has been sustained growth in good quality mobile connections, up another 108,000 in the period since 30 June 2014, as Spark New Zealand continues to close the gap on the competition. Total mobile revenues grew by 2.4% however the market remains very competitive, particularly in the business segment where revenues have actually declined on the back of continuing price reductions and data bundle expansion.

“Our performance in the broadband market also reflected the competitiveness of the market, with Spark New Zealand’s share of connections declining slightly. That said, gains were made in broadband revenue and profitability as we weighted our efforts toward higher-value customers through the introduction of higher-end products and the provision of valued broadband services for Spark New Zealand customers, such as Lightbox.”

IT services revenue rose 6.9%, underpinned by the ongoing repositioning of Spark Digital (formerly Gen-i) and investments in Cloud computing, through Revera and Appserv, and in data centres, including new and expanded facilities.

The tight management of operating costs remained, with expenses from continuing operations reducing 2.4% to \$1,361 million, reflecting the ongoing flow-through benefits from the Turnaround Programme.

“The rebrand from Telecom to Spark New Zealand in August 2014 was executed superbly and is already making a difference to online and store traffic, to increased customer preference and consideration and to our market share momentum”, said Mr Moutter.

“An emphasis on delivering a range of additional services that consumer’s value, such as Spotify, Lightbox, nationwide WiFi, Socialiser and many others has enabled the Spark New Zealand brand to build differentiation positions in mobile and broadband. This has been supported by our multi-brand strategy, which has seen Skinny mobile and Bigpipe broadband improve their market presence.

“Business customers have benefited from the ongoing repositioning into Cloud computing and data centres, from our network nationwide fibre services, a completed optical transport network, and our rapidly expanding 4G mobile network. We now believe Spark New Zealand is overtaking its competitors in 4G mobile coverage.

“We have also upped the ante in the emerging online TV market in New Zealand with Lightbox TV, which launched on-time in August 2014, well ahead of competition, to very positive customer feedback. Lightbox also formed a strategic joint venture with online sports company Coliseum, which has rights to PGA Golf, French Rugby and the English Premier League, to form Lightbox Sport.”



Mr Moutter said, "Our focus during the second half of the financial year will be on maintaining intensity of execution, reflecting our determination to build on the firm foundation that is setting up the Company for growth.

"In August 2014 we provided guidance of low single digit growth in EBITDA and low single digit decline in revenue. However, it is still uncertain as to the date the new Chorus input charges will take effect, with the possibility of backdating.

"Subject to a final Commerce Commission decision on backdating, we remain on track for this guidance with, as we saw in the 2014 financial year, more of the benefits of our actions expected to show through in the second half.

"Our overall confidence around continuing solid market performance and cash generation has enabled the Directors to declare a half-year dividend of 9 cents per share.

"More than a million New Zealanders have an ownership stake in Spark New Zealand, either directly as shareholders or indirectly through KiwiSaver investments. And with an ever-growing dependence on high-quality connectivity and services for consumers and businesses alike, Spark New Zealand has an important role to play in our country's future progress. That's a responsibility that helps drive our ambitions."

- ENDS -

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H1 FY15 Financial Results

Simon Moutter
Managing Director

Jolie Hodson
Chief Financial Officer

Chris Quin
CEO Home, Mobile & Business

Tim Miles
CEO Spark Digital





Spark New Zealand is continuing to execute a sound long-term growth strategy, centred on customers, in a highly competitive market

With the reset phase largely complete, the strategy now transitions into a phase aimed at creating value from the platform established

Half-year underlying performance is broadly in line with plan and we expect H2 earnings to grow compared with H1 FY15 and H2 FY14

H1 2015 Highlights

Maintaining central focus on customers and ongoing strategic execution and progress in a challenging market.

Long-term strategy on-track.

- Rebrand executed superbly and has driven 24% improvement in customer preference which will support market momentum
- Multi-brand strategy and focus on value continuing to build strong differentiating positions in major categories
- H1 FY15 EBITDA down 3.5%, impacted by rebranding costs and by higher reorganisation costs versus prior year
- Strong performance from Spark Home, Mobile & Business, while repositioning of Spark Digital still in progress
- Sustained growth in mobile connections but market remains very competitive, particularly in business
- Broadband position consolidating, with focus shifting to higher value end of market, and plans re-priced following impact of UBA/UCLL input cost decisions
- Lightbox TV successfully launched and market awareness building in competitive SVOD market. Strategic Lightbox Sport JV formed and Spark HMB bundled offer in line with digital service strategy and providing value in broadband market
- Turnaround benefits still flowing through, with centralised programme devolving to BAU and principles embedded
- Network investment continuing, with rapidly expanding 4G mobile network, new trans-Tasman cable announced, and re-engineering delivering benefits
- Revera (revenue growth of 42%) and Appserv both tracking well and supporting transition to Cloud
- Dividend of 9cps declared for H1, fully imputed
- Guidance maintained subject to final Commerce Commission decision on copper input costs and potential backdating

Results scorecard

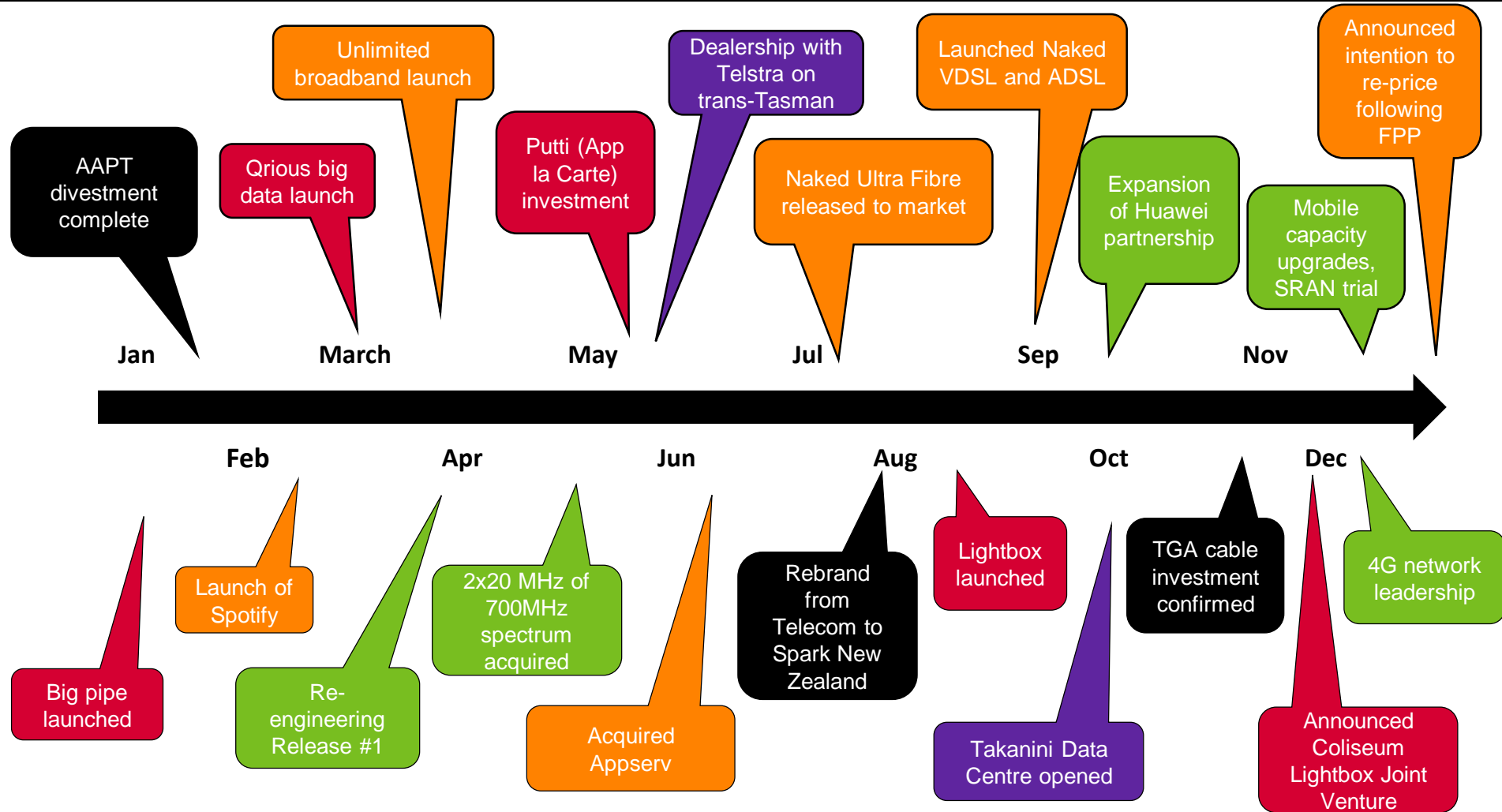
Key financials		Product revenue		Market share and connections		
	H1 FY15		H1 FY15 ⁽¹⁾		31 Dec 2014	Change vs 30 June 2014
Revenue Growth	-2.7% ⁽¹⁾	Mobile Revenue Growth	+2.4%	Mobile share (revenue)	40% ⁽²⁾	+1pp ⁽³⁾
				Mobile Customers	2,114,000	+5.4%
EBITDA Growth	-3.5% ⁽¹⁾	Broadband Revenue Growth	+0.6%	Broadband share (connections)	46.5% ⁽²⁾	-0.5pp ⁽³⁾
				Broadband customers	674,000	+0.7%
DPS	9.0cps	IT Revenue Growth	+6.9%	IT services share (revenue)	14.5% ⁽²⁾	+0.5pp ⁽³⁾

⁽¹⁾ Change vs H1 FY14

⁽²⁾ Market share estimate

⁽³⁾ Percentage Point estimate

More bold changes made in 2014



Maintaining strategic momentum

Ambition

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

Goals

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

Strategic Programmes

Winning key markets

Turnaround

Spark Talent

Customer inspired

Spark brands

Foundation

New Zealand's best data network

To be replaced by Digital First

Meeting customer desires for digital experiences

Mobile Customers

- Leadership in Mobility with 4G, 700MHZ and Wi-Fi
- Loyalty with Spark Thanks digital offers
- Mobile content EPL/NBA
- Socialiser and Spotify digital services
- Smartphone app with 340,000 unique downloads since launch
- 92% of service interactions are digital

Home Customers

- Nationwide Fibre, Unlimited and Naked Broadband in portfolio
- Loyalty with Spark Thanks digital offers
- Lightbox 6000+ hours of high quality content
- 425,000 My Spark users and 484,000 e-bill users

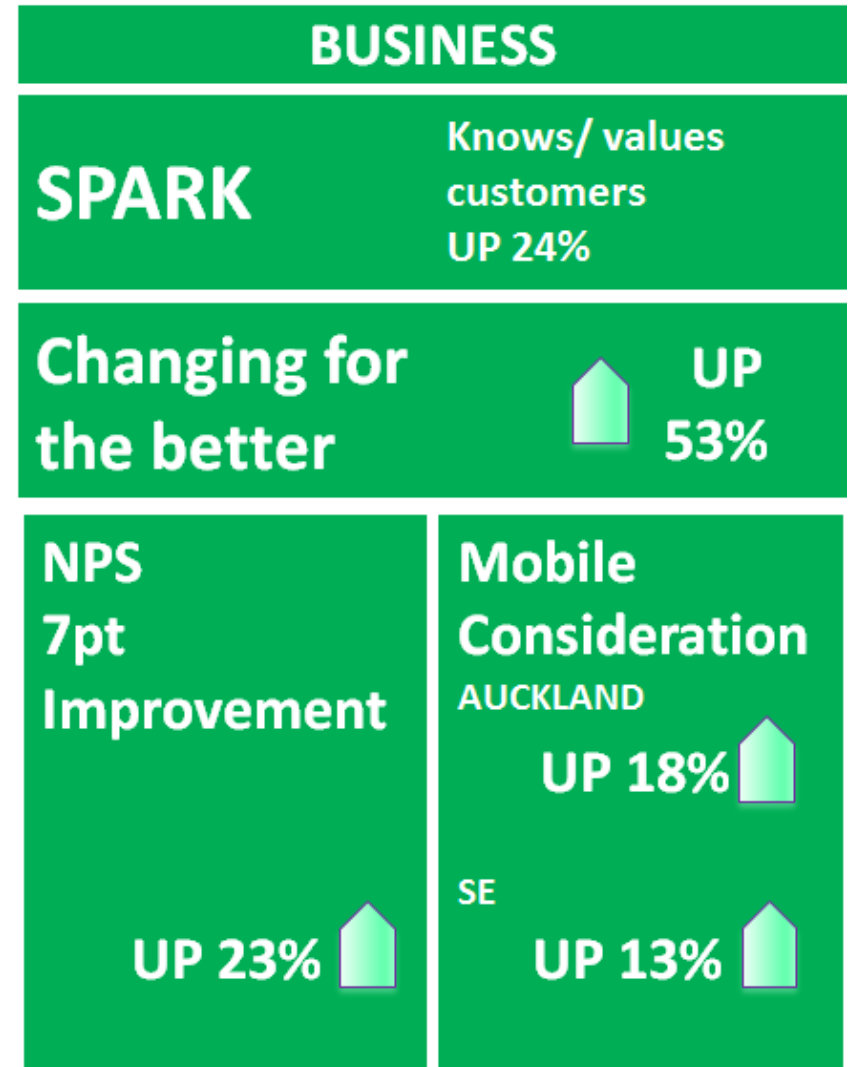
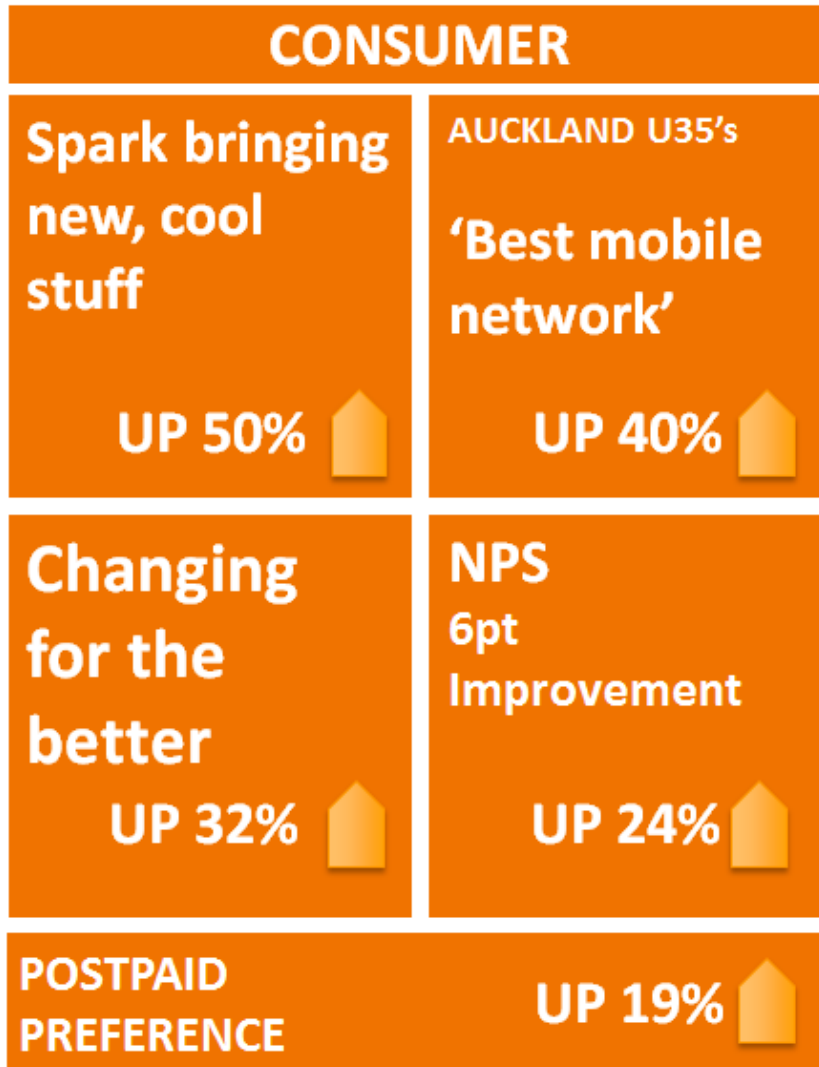
Small & Medium Business Customers

- Leadership in Mobility with 4G, 700MHZ and Wi-Fi
- Nationwide Fibre, Unlimited and Naked Broadband
- Putti, Appserve, Revera Optimiser, digital services
- My Spark, Smartphone app and e-bill uptake

Corporate and Enterprise Businesses

- Investing in Cloud and Data through Revera, Appserv and more Data Centre capability
- Data network leadership through Vocus/Connect 8, OTN completion, 4G network leadership, 700MHz spectrum, TGA
- Partnering with experts like Telstra, Qrious and others

Rebrand making positive difference



Strategic capability programmes contributing well

Turnaround

Bedding in as BAU
Benefits will continue
beyond FY15

Re-engineering

Release 2 in H2 FY15
Provides single customer
management system

Digital First

Driven by customer experience
Builds on re-engineering
New programme to accelerate
digitisation in set-up phase

Data network leadership strengthened



- Spark network delivering for customers
- Single RAN roadmap commenced, 70 sites already done
- Overtaking competitors on 4G mobile
- 700MHz advantage secures future 4G leadership
- First phase of re-engineering completed

Lightbox upping the ante



**HUSTLING
TO MAKE
ENDS MEET**

FROM THE CREATORS
OF BREAKING BAD

*BETTER
CALL
Saul*

A LIGHTBOX ORIGINAL
Express from the US

30 DAY FREE TRIAL **LIGHTBOX** **.NZ**

- Lightbox launched on time with product performing well and attracting great customer feedback
- 6000+ hours of high quality content
- More exclusive premium content acquired
- Announced Lightbox Sport joint venture with Coliseum
- FY15 investment increased to \$35 million

Financial Results



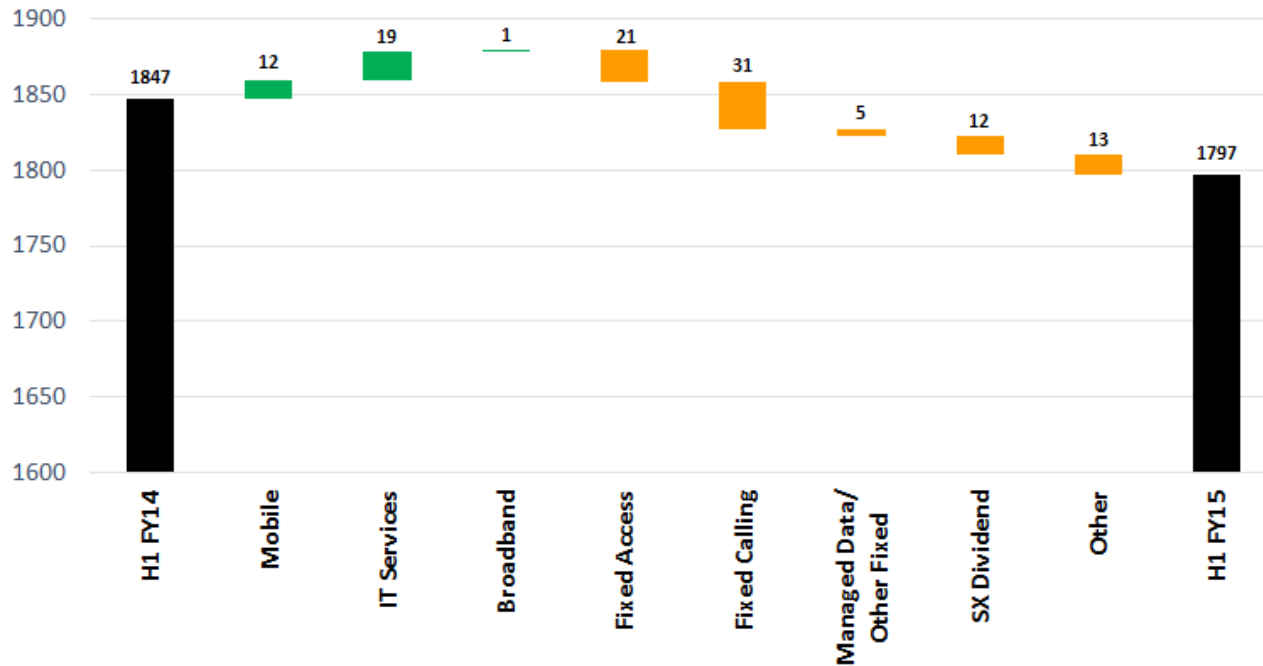
Group Profit & Loss

Reported Results⁽¹⁾	H1 FY15 \$M	H1 FY14 \$M	CHANGE %
Revenues	1,797	1,847	(2.7%)
Operating expenses	1,361	1,395	(2.4%)
EBITDA	436	452	(3.5%)
Depreciation & amortisation	224	227	(1.3%)
Net financing costs	12	17	(29.4%)
Tax expense	53	61	(13.1%)
Net earnings	147	147	-

(1) Continuing Operations

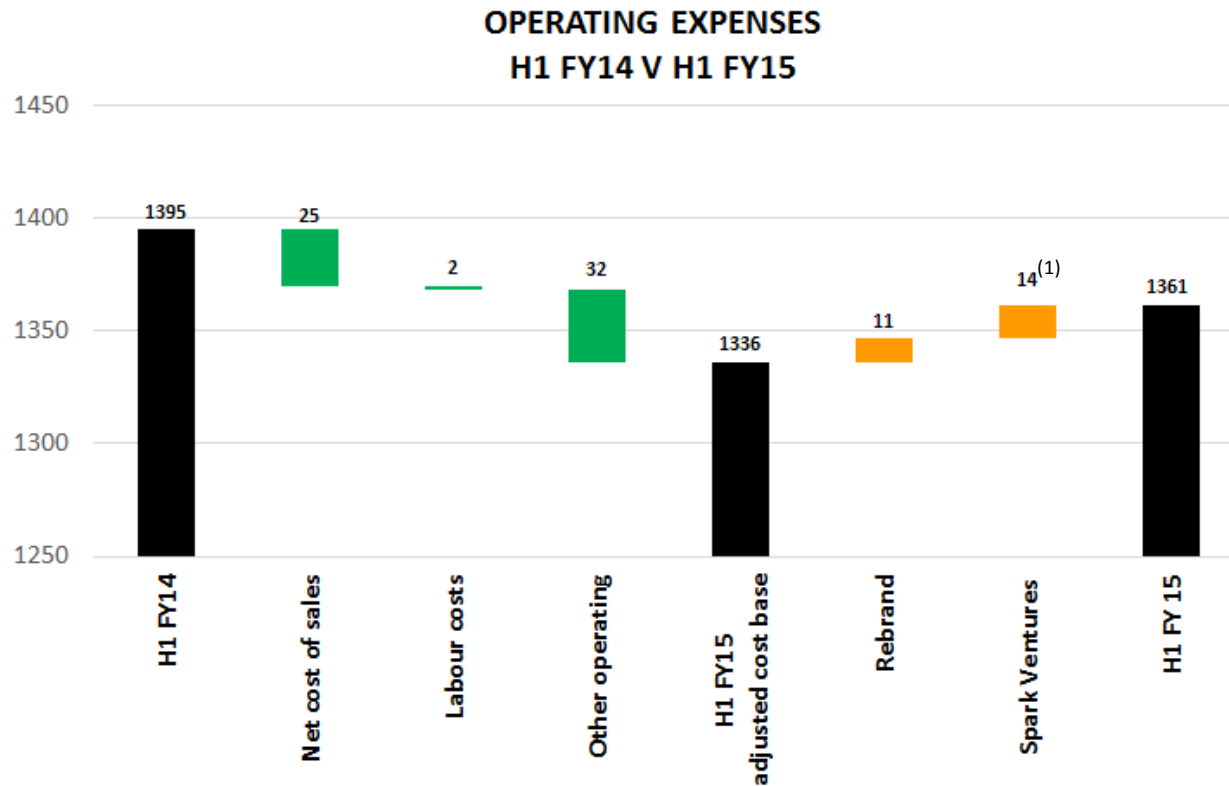
H1 FY15 Revenues

REVENUES H1 FY14 V H1 FY15



- Mobile and IT Services revenues up 2.4% and 6.9% respectively
- Rate of fixed revenue decline remained low at 5.8%
- Broadband market remained competitive
- Managed data impacted by the termination of wholesale backhaul contract
- Southern Cross dividend, insurance proceeds, gain on sale \$25m lower than H1 FY14

H1 FY15 Costs



- Cost movements include:
 - Growth in Mobile and IT Services cost of sales
 - Reduction in fixed input costs (UBA and PSTN resale)
 - Turnaround benefits realised across all cost categories
 - ALU insourcing of network operations
 - Higher reorganisation costs than prior year
 - One-off Spark rebranding
 - Increased Spark Ventures investment in growth (Lightbox, Qrious)

(1) Spark Ventures excluding Skinny and Bigpipe

Spark Home Mobile & Business

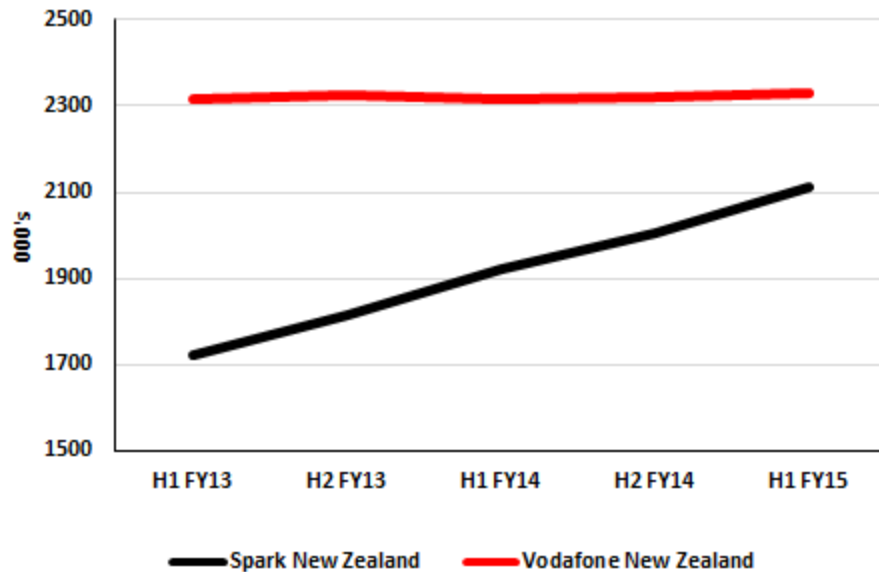
Results include Spark Ventures

	H1 FY15 \$M	H1 FY14 \$M	CHANGE %
Revenues	912	901	1.2%
Fixed	501	516	(2.9%)
Mobile	391	372	5.1%
IT Services & Other	20	13	53.8%
Costs	581	573	1.4%
EBITDA	331	328	0.9%

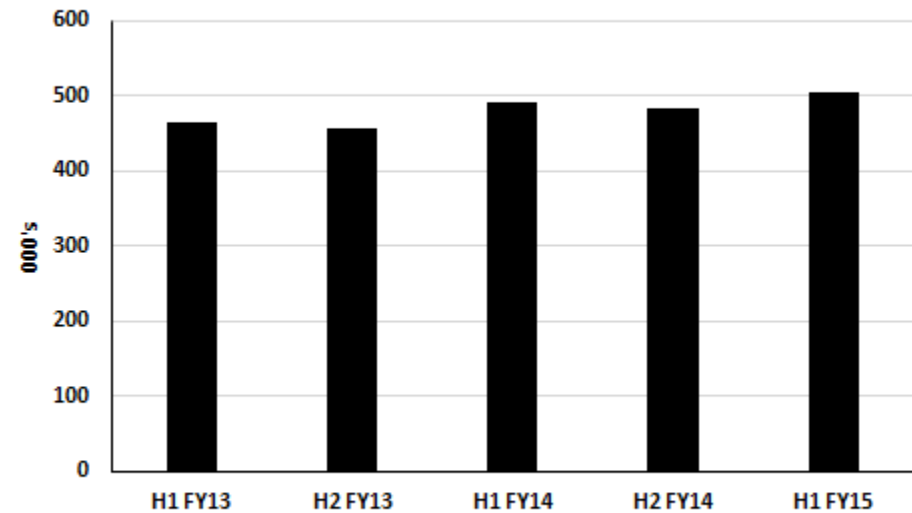
- Excellent performance from Spark HMB with revenue and EBITDA growth achieved for second half in succession
- Growth in brand preference has increased the net number of mobile and broadband customers, by over 100,000 in H1 FY15
- Fixed revenue decline halved with broadband back in growth and focus on value
- Strong Christmas sales campaign, especially in post-paid mobile
- Appserv acquisition contributing to IT Services revenue growth
- EBITDA up 4% and cost down 2% when \$11m increase in Spark Ventures investment is excluded

Continuing to close the gap in mobile

Mobile Connections



Total Mobile Revenue

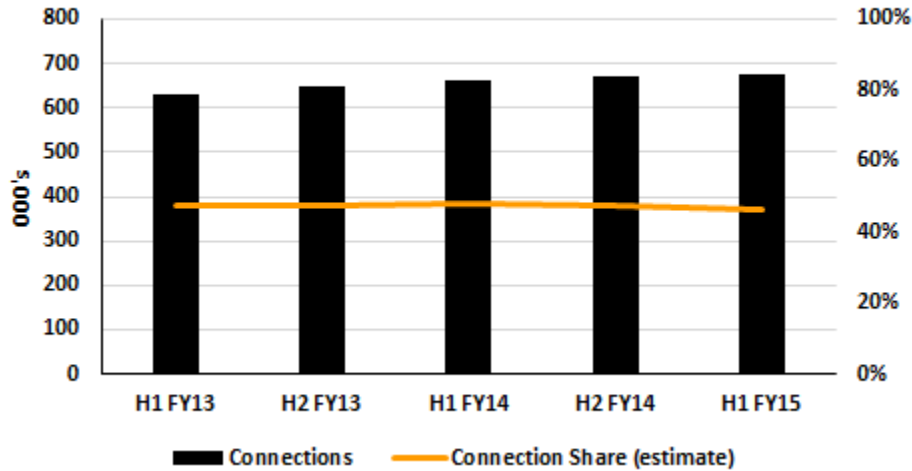


Continued good gains in mobile connections however market price pressures making it tough to realise revenue growth

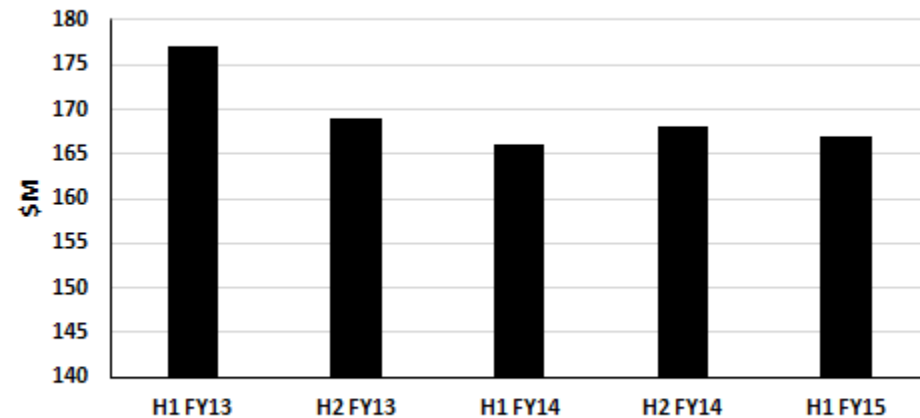
Graphs reflect Spark HMB, Skinny and Spark Digital performance

Shift in broadband strategy

Broadband Connections



Broadband Revenues



Shifting market strategy from absolute connection share to overall share of revenue by targeting higher value broadband customers

Graphs reflect Spark HMB, Bigpipe and Spark Digital performance

Spark Digital

	H1 FY15 \$M	H1 FY14 \$M	CHANGE %
Revenues	622	643	(3.3%)
Fixed	211	229	(7.9%)
Mobile	107	115	(7.0%)
IT Services ⁽¹⁾	165	159	3.8%
IT Procurement & Other	139	140	(0.7%)
Costs	440	450	(2.2%)
EBITDA	182	193	(5.7%)

- Strategic shift to platform-centric ICT services continues, leveraging Cloud capabilities and core infrastructure assets
- Strong market share position maintained, but intense price-based competition has continued to impact Telco revenues
- Mobile revenue decline reflects flow-through of price reductions in prior year, with connection share unchanged
- IT Services revenues reflect Revera's strong performance (42% revenue growth), partially offset by unwinding of legacy IT Services contracts

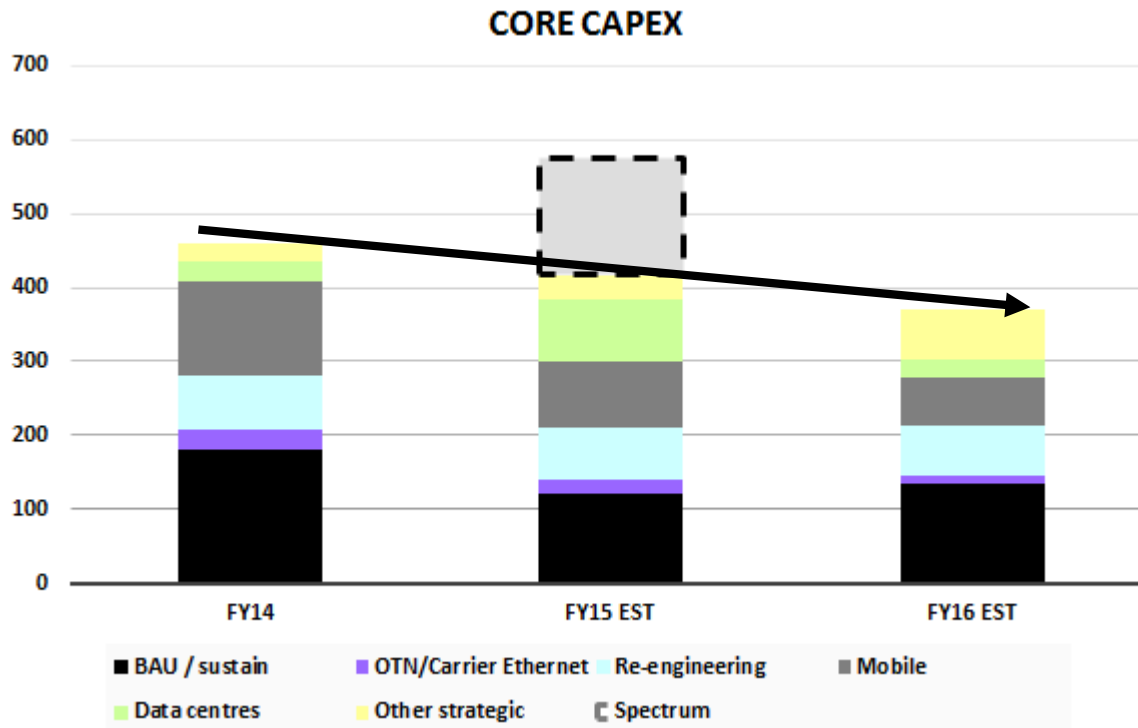
(1) Excludes IT procurement revenue

Transition to Cloud and Data ongoing



- State-of-the-art Takanini data centre strengthens Spark Digital's position as New Zealand's No.1 provider of hosting infrastructure services
- Cloud computing and ICT services strategy leverages key strategic investments in:
 - Revera and Appserv
 - Takanini data centre
 - Christchurch data centre
 - Dunedin data centre upgrade and
 - Completion of a third Wellington facility

Capital Expenditure



- Continued investment in 4G and mobile network technology
- 2x20 MHz of 700MHz spectrum purchased in August 2014 \$158m
- Takanini data centre opened October 2014
- Re-engineering investment in customer releases for H2
- Targeting sustainable long term Capex of below \$400m per annum

Capital Management

Principles	Return business to sustainable growth Reposition business portfolio in line with strategy Remain committed to conservative capital structure and single 'A Band' Credit Rating Preferred method of shareholder distributions is to sustainably grow ordinary dividends over time
Outcomes	Significant free cash flow generated from Turnaround Programme & divestments enabling: <ul style="list-style-type: none">• Investment in business growth• Strategic investments including spectrum• H1 FY15 dividend of 9 cps, fully imputed

Regulatory Update

- On 1 December 2014, regulated broadband input costs reduced in line with the Commerce Commission's Initial Pricing Principle (IPP) decision. This change reduces input costs by ~\$85m on an annualised basis (based on current volumes). This reduction was signalled well in advance and has already been reflected in retail pricing
- On 2 December 2014 the Commerce Commission released its draft regulated input prices (for both the copper loop and broadband) based on its Final Pricing Principle (FPP)
- If the draft FPP prices are implemented, Spark New Zealand would face an unexpected increase in copper loop costs of ~\$60m on an annualised basis (based on current volumes)
- The Commerce Commission's Final FPP pricing decision is due in H1 FY16 and current indications are the decision may be backdated to 1 December 2014. If backdating was to occur, the impact for the 7 months ending 30 June 2015 would be ~\$35m. Any catch up payment in relation to FY15 would likely fall in H1 FY16 and is not reflected in FY15 earnings guidance
- Spark New Zealand has adjusted retail prices effective 1 February 2015 to partially offset the impact of the potential increase in copper loop prices. We expect these price changes to increase revenues by ~\$15m for the 5 months ending 30 June 2015

FY15 Guidance

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

(1) Relative to FY14 continuing operations. Results are still expected to be within the range provided, however this is subject to timing and value of FPP decisions and associated accounting treatments. Guidance excludes rebranding costs.

(2) Subject to no adverse change in operating outlook

We said our FY15 performance should be measured by:

Measure	Progress
A winning culture which is inspired by customers, performance driven and highly competitive	On track
Spark brands programme driving greater brand differentiation, leadership, cut through and preference in key markets	On track
Successful deployment of 4G using 700 MHz spectrum supporting mobile market revenue share growth of 1.0 - 1.5pp ⁽¹⁾	On track
Broadband revenue market share maintained	On track. Shift to value focus underway
High single digit revenue growth from networked ICT (including Cloud)	On track
Successful introduction of Lightbox, with 70k paying subscribers by 30 June 2015	Update to be provided at full year
Deliver Release 2 of the re-engineered IT stack	On track for Q3
Complete the Turnaround Programme and embed the methodologies to business as usual	On track
Return to EBITDA and net profit growth	On track – subject to ComCom decisions

⁽¹⁾ Percentage Point

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

FY14 & FY15: Stabilise revenue/margin and reduce costs

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

With the 'reset' phase largely complete, the strategy now transitions into the second phase

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 management as well as on assumptions made by and information currently available at the time such statements were made.

These forward-looking statements may be identified by words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could' and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Spark New Zealand's control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this announcement. Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements are discussed herein and also include Spark New Zealand's anticipated growth strategies, Spark New Zealand's future results of operations and financial condition, economic conditions and the regulatory environment in New Zealand; competition in the markets in which Spark New Zealand operates; risks related to the sharing arrangements with Chorus, other factors or trends affecting the telecommunications industry generally and Spark New Zealand's financial condition in particular and risks detailed in Spark New Zealand's filings with NZX and ASX. Except as required by law or the listing rules of the stock exchanges on which Spark New Zealand is listed, Spark New Zealand undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.



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Group result - continuing operations

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains	1,905	1,830	1,847	1,791	1,797
Adjusted operating expenses	1,425	1,335	1,395	1,307	1,361
Adjusted EBITDA - continuing operations	480	495	452	484	436
Depreciation and amortisation expense	228	231	227	224	224
Net finance expense	22	20	17	14	12
Adjusted tax expense	62	62	61	70	53
Adjusted net earnings after tax - continuing operations	168	182	147	176	147

Connections

Total mobile connections (000)	1,723	1,815	1,923	2,006	2,114
Total Access Lines (000)	1,459	1,421	1,399	1,374	1,330
Broadband connections (000)	631	649	661	669	674

Adjusted for impact of UBA as primary service ¹

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains impact	(47)	(45)	(44)	(43)	(35)
Adjusted operating expenses impact	(47)	(45)	(44)	(43)	(35)
	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains	1,858	1,785	1,803	1,748	1,762
Adjusted operating expenses	1,378	1,290	1,351	1,264	1,326
Adjusted EBITDA - continuing operations	480	495	452	484	436

¹ On 1 December 2014 a change to the Telecommunications Act 2001 resulted in unbundled bitstream access (UBA) becoming the primary service purchased from Chorus, resulting in Chorus now charging our Spark Wholesale customers directly for layer 1 copper access, where they bundle the voice service sold by Spark Wholesale with a broadband service to their customers. This means Spark New Zealand will no longer recognise the revenue or costs associated with access charges for these Wholesale customers. The amount of revenue and expense recognised in each period prior to the regulatory change has been presented to aid comparison where relevant.

Spark New Zealand

EBITDA by business unit

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
EBITDA					
Spark Home, Mobile and Business	348	352	328	357	331
Spark Digital	202	200	193	206	182
Spark Connect	(67)	(47)	(64)	(46)	(60)
Corporate	(3)	(10)	(5)	(33)	(17)
Total EBITDA from continuing operations	480	495	452	484	436

Operating revenues and other gains by business unit

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains					
Spark Home, Mobile and Business	904	877	901	893	912
Spark Digital	663	644	643	645	622
Spark Connect	339	312	294	280	267
Corporate	53	62	67	44	51
Eliminations	(54)	(65)	(58)	(71)	(55)
	1,905	1,830	1,847	1,791	1,797

Group operating revenues and other gains by type

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Operating revenues					
Fixed revenue					
Access	419	410	399	394	378
Voice/Calling	327	285	272	250	241
Broadband	177	169	166	168	167
Managed data	126	122	117	118	110
Other fixed revenue	18	14	15	16	17
	1,067	1,000	969	946	913
Mobile revenue					
Service revenue	360	364	366	369	367
Other mobile revenue	105	92	126	115	137
	465	456	492	484	504
IT services	269	261	276	285	295
Other operating revenue	88	101	102	74	85
Total operating revenues	1,889	1,818	1,839	1,789	1,797
Other gains	16	12	8	2	-
Total adjusted operating revenues and other gains	1,905	1,830	1,847	1,791	1,797

Spark New Zealand

Adjusted for impact of UBA as primary service

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Fixed revenue access impact	(47)	(45)	(44)	(43)	(35)
	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains					
Spark Home, Mobile and Business	904	877	901	893	912
Spark Digital	663	644	643	645	622
Spark Connect	292	267	250	237	232
Corporate	53	62	67	44	51
Eliminations	(54)	(65)	(58)	(71)	(55)
	1,858	1,785	1,803	1,748	1,762
	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Operating revenues					
Fixed revenue					
Access	372	365	355	351	343
Voice/Calling	327	285	272	250	241
Broadband	177	169	166	168	167
Managed data	126	122	117	118	110
Other fixed revenue	18	14	15	16	17
	1,020	955	925	903	878
Mobile revenue					
Service revenue	360	364	366	369	367
Other mobile revenue	105	92	126	115	137
	465	456	492	484	504
IT services	269	261	276	285	295
Other operating revenue	88	101	102	74	85
Total operating revenues	1,842	1,773	1,795	1,746	1,762
Other gains	16	12	8	2	-
Total adjusted operating revenues and other gains	1,858	1,785	1,803	1,748	1,762

Spark New Zealand

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

	H1 FY13 \$m	H2 FY13 \$m	H1 FY14 \$m	H2 FY14 \$m	H1 FY15 \$m
Adjusted operating revenues and other gains					
Fixed	547	530	516	507	501
Mobile	340	334	372	372	391
IT services	1	1	1	1	5
Other operating revenue	15	12	12	13	13
Internal revenue	1	-	-	-	2
	904	877	901	893	912
Adjusted operating expenses					
Labour	61	53	56	56	62
Other operating expenses	478	453	501	462	500
Internal expenses	17	19	16	18	19
	556	525	573	536	581
Adjusted EBITDA	348	352	328	357	331

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

	H1 FY13 \$m	H2 FY13 \$m	H1 FY14 \$m	H2 FY14 \$m	H1 FY15 \$m
Fixed revenue by type					
Access	245	248	247	247	245
Voice/Calling	143	130	119	110	103
Broadband	149	142	141	143	145
Managed data	1	1	-	-	-
Other fixed revenue	9	9	9	7	8
	547	530	516	507	501
Access and Broadband revenues by customer type					
Broadband customers	284	288	293	300	302
Voice only customers	110	102	95	90	88
Local service					
Broadband connections (000)	612	630	640	648	653
Voice only connections (000)	337	303	273	246	212
Total Access Lines (000)	949	933	913	894	865
FTE Permanent	1,615	1,435	1,432	1,429	1,454
FTE Contractors	138	131	136	155	137
FTE Total	1,753	1,566	1,568	1,584	1,591

Spark New Zealand

Financial breakdown by business unit - Spark Digital

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains					
Fixed	255	239	229	222	211
Mobile	120	116	115	106	107
IT services	266	257	273	283	286
Other operating revenue	4	4	3	1	3
Other gains	-	2	3	-	-
Internal revenue	18	26	20	33	15
	663	644	643	645	622
Adjusted operating expenses					
Labour	146	120	120	113	118
Other operating expenses	296	304	310	308	302
Internal expenses	19	20	20	18	20
	461	444	450	439	440
Adjusted EBITDA	202	200	193	206	182
Adjusted EBITDA - Telecommunications solutions	179	171	164	163	151
Adjusted EBITDA - IT services	23	29	29	43	31
Total	202	200	193	206	182

Analysis & KPI's - Spark Digital

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Fixed revenue by type					
Access	56	52	51	49	45
Voice/Calling	83	76	71	67	64
Broadband	27	26	25	25	22
Managed data	88	85	81	78	77
Other fixed revenue	1	-	1	3	3
	255	239	229	222	211
IT services revenue by type					
Procurement revenue	116	114	114	122	121
Other IT services revenue	150	143	159	161	165
	266	257	273	283	286
Local service					
Total Access Lines (000)	68	67	72	71	69
Broadband connections (000)	19	19	21	21	21
FTE Permanent	2,280	1,977	1,869	1,852	1,799
FTE Contractors	114	89	163	174	126
FTE Total	2,394	2,066	2,032	2,026	1,925

Spark New Zealand

Financial breakdown by business unit - Spark Connect

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains					
Fixed	265	231	224	217	201
Mobile	5	6	5	6	6
IT services	1	1	1	1	3
Other operating revenue	47	43	40	31	33
Other gains	-	5	-	-	-
Internal revenue	21	26	24	25	24
	339	312	294	280	267
Adjusted operating expenses					
Labour	81	60	70	66	72
Other operating expenses	319	295	283	255	249
Internal expenses	6	4	5	5	6
	406	359	358	326	327
Adjusted EBITDA	(67)	(47)	(64)	(46)	(60)

Analysis & KPI's - Spark Connect

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Fixed revenue by type					
Access	118	110	101	98	88
Voice/Calling	101	79	82	73	74
Broadband	1	1	-	-	-
Managed data	37	36	36	40	33
Other fixed revenue	8	5	5	6	6
	265	231	224	217	201
Analysis of international transits					
International transit revenue	71	55	64	48	64
International intercarrier costs	55	43	54	41	56
Local service					
Total Access Lines (000)	442	421	414	409	396
FTE Permanent	2,064	1,825	1,856	1,711	1,870
FTE Contractors	138	152	119	57	53
FTE Total	2,202	1,977	1,975	1,768	1,923

Spark New Zealand

Financial breakdown by business unit - Spark Connect

Adjusted for impact of UBA as primary service

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Fixed revenue access impact	(47)	(45)	(44)	(43)	(35)
Other operating expenses impact	(47)	(45)	(44)	(43)	(35)
	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains					
Fixed	218	186	180	174	166
Mobile	5	6	5	6	6
IT services	1	1	1	1	3
Other operating revenue	47	43	40	31	33
Other gains	-	5	-	-	-
Internal revenue	21	26	24	25	24
	292	267	250	237	232
Adjusted operating expenses					
Labour	81	60	70	66	72
Other operating expenses	272	250	239	212	214
Internal expenses	6	4	5	5	6
	359	314	314	283	292
Adjusted EBITDA	(67)	(47)	(64)	(46)	(60)
	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Fixed revenue by type					
Access	71	65	57	55	53
Voice/Calling	101	79	82	73	74
Broadband	1	1	-	-	-
Managed data	37	36	36	40	33
Other fixed revenue	8	5	5	6	6
	218	186	180	174	166

Spark New Zealand

Financial breakdown by business unit - Corporate

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Adjusted operating revenues and other gains					
IT services	1	2	1	-	1
Other operating revenue	22	42	47	29	36
Other gains	16	5	5	2	-
Internal revenue	14	13	14	13	14
	<u>53</u>	<u>62</u>	<u>67</u>	<u>44</u>	<u>51</u>
Adjusted operating expenses					
Labour	33	23	20	29	19
Other operating expenses	11	27	35	18	39
Internal expenses	12	22	17	30	10
	<u>56</u>	<u>72</u>	<u>72</u>	<u>77</u>	<u>68</u>
Adjusted EBITDA	<u>(3)</u>	<u>(10)</u>	<u>(5)</u>	<u>(33)</u>	<u>(17)</u>

Analysis & KPI's - Corporate

Southern cross dividends - \$m	19	37	43	24	31
FTE Permanent	428	275	185	180	174
FTE Contractors	12	18	9	7	5
FTE Total	<u>440</u>	<u>293</u>	<u>194</u>	<u>187</u>	<u>179</u>

Spark New Zealand

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

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
Mobile revenue					
Service revenue - \$m	355	358	361	363	361
Other mobile revenue ¹ - \$m	105	92	126	115	137
	460	450	487	478	498
New Zealand average revenue per user (ARPU) - 6 month active					
ARPU - \$ per month	33.75	33.55	32.78	30.10	29.77
Postpaid - \$ per month	56.43	54.84	52.79	50.08	48.56
Prepaid - \$ per month	11.32	11.92	11.90	11.39	11.57
Number of mobile customers at period end (New Zealand - Group) - 6 month active					
Postpaid (000)	863	908	948	979	1,018
Prepaid (000)	847	895	967	1,021	1,092
Internal postpaid (000)	13	12	8	6	4
Total mobile customers ² (000)	1,723	1,815	1,923	2,006	2,114

¹ Other mobile revenue includes handset sales and mobile interconnect

² Mobile connections exclude MVNO connections.

Spark New Zealand

Group operating expenses summary

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Payments to telecommunications operators					
Baseband and access charges	245	236	231	218	205
Other intercarrier costs	117	106	111	101	97
Broadband cost of sales	121	127	133	138	140
Field services	25	14	17	6	11
	<u>508</u>	<u>483</u>	<u>492</u>	<u>463</u>	<u>453</u>
Mobile acquisition, procurement and IT services					
Mobile cost of sales	175	163	193	173	204
IT services cost of sales	156	163	161	174	164
	<u>331</u>	<u>326</u>	<u>354</u>	<u>347</u>	<u>368</u>
Labour	321	256	266	264	271
Other operating expenses					
Direct network costs	42	27	44	30	31
Computer costs	39	35	38	33	37
Accommodation costs	51	57	43	46	48
Advertising, promotions and communication	39	32	44	25	46
Bad debts	6	8	16	6	7
Other	88	111	98	93	100
	<u>265</u>	<u>270</u>	<u>283</u>	<u>233</u>	<u>269</u>
Total operating expenses	<u>1,425</u>	<u>1,335</u>	<u>1,395</u>	<u>1,307</u>	<u>1,361</u>

Group FTE's

FTE Permanent - continuing operations	6,387	5,512	5,342	5,172	5,297
FTE Contractors - continuing operations	402	390	427	393	321
FTE Total - continuing operations	<u>6,789</u>	<u>5,902</u>	<u>5,769</u>	<u>5,565</u>	<u>5,618</u>

Spark New Zealand

Group capital expenditure summary

	H1 FY13	H2 FY13	H1 FY14	H2 FY14	H1 FY15
	\$m	\$m	\$m	\$m	\$m
Major programmes					
Optical transport network and carrier ethernet	14	19	22	5	6
Re-engineering	8	17	44	31	29
Mobile network	29	55	89	41	57
Mobile spectrum	54	-	-	-	158
Takanini data centre	-	-	-	-	61
	105	91	155	77	311
Operating capital expenditure					
Southern Cross	11	-	10	11	5
Regulatory	2	2	1	1	-
Customer growth and retention	107	103	100	104	91
	120	105	111	116	96
Total relating to continuing operations	225	196	266	193	407
Discontinued operation					
AAPT	21	23	27	8	-
	21	23	27	8	-
Total group capital expenditure	246	219	293	201	407

Capital expenditure is presented on an accruals basis.