

Market Release

18 February 2016

SPARK NEW ZEALAND H1 FY16 RESULTS

Spark New Zealand earnings up on back of strong mobile and IT services performance and continued productivity gains

Spark New Zealand Chairman Mark Verbiest said today the financial results for the six months to 31 December 2015 reflect the positive impact of the Company's investment in New Zealand's digital future.

"Notably, for the first time in many years, mobile and IT services revenue growth, excluding divestments and regulatory changes, has more than offset ongoing decline in landline voice and legacy data products, demonstrating a successful rebalancing of the company's focus."

"Each day, more and more New Zealanders are choosing Spark. And we're working harder than ever to help make their lives just a little better, every day. That is in turn leading to improved financial performance.

"We've established an outstanding network and digital services platform. We have improved our executional capability and our focus on understanding customer needs. We've got stronger and more relevant brands. This is all making us a more agile, more competitive and more resilient business, with a greater capacity to create options for the future.

Total operating revenue and other gains decreased by 4.1% to \$1,723 million in H1 FY16. After re-basing for changes arising from earlier divestments, changes to the way regulated access charges for Spark Wholesale are billed and the acquisition of CCL Group, the underlying total operating revenues and other gains have increased by \$27 million, or 1.6%.

The return in FY15 to earnings before interest, tax expense, depreciation and amortisation (EBITDA) growth was reinforced for H1 FY16, with EBITDA up 4.4% to \$455 million, while net earnings were up 7.5% to \$158 million.

There has been continued growth in good quality mobile connections, up 4.6%, while, reflecting the strategic shift in focus to higher value customers and plans, mobile revenues grew by \$59 million, or 11.7%. Re-based IT services revenue grew by \$23 million, or 7.8%, resulting from growth in platform IT services and IT procurement revenues, partially offset by a slight decline in traditional IT service revenues. Broadband revenues grew by \$15 million, or 4.6%, as a focus on higher value plans and existing customers continued.

The tight management of operating costs, along with the temporarily lower copper access charges and earlier divestments, meant operating expenses were broadly flat after allowing for the impact of divestments and the regulated changes to Wholesale access charges.

Spark New Zealand Managing Director Simon Moutter said that the Spark New Zealand transformation remains on-plan, despite competitive and fast-changing markets.

“The half-year to 31 December 2015 was another big six months. We are in good shape, with positive sales momentum and more customers choosing us as their digital services provider. Operationally, we have continued to execute at pace in a world where demand for digital services and data is increasing exponentially.

“The Spark Home, Mobile & Business division had an excellent six months, with a greater focus on customers leading to better commercial outcomes. In particular, a strategic shift of emphasis towards existing customers and all-of-life services across mobile, broadband and value-add service needs has delivered positive results.

“The performance in mobile has been particularly strong, with a focus on driving value rather than connections continuing to lift mobile revenue, and our value-add and multi-brand strategies helping to differentiate from the competition.

“In broadband, Spark is focused on holding its market share at the higher-value end of the market, but work is needed to shore up a decline in share at the lower value end, with aggressive price-based competition fuelling high rates of churn across the industry.

“Demand for fibre is booming, with Spark performing well in new orders. However, a poor industry-wide fibre provisioning process is impacting customers, driving an increase in complex queries involving multiple parties and placing pressure across our contact centres. A dedicated effort on a number of fronts is underway to improve the customer experience.

“The half-year saw the lengthy Commerce Commission process to determine the regulated charge for access to the copper network finally draw to a close, with material fluctuations between the draft determinations in 2014 and 2015 and the final determination in December 2015. This unfortunately has led to unexpected and significant increases to the costs to ISPs, and in turn to retail prices for our customers.

“Spark Digital continues to transition to a platform IT provider. This is showing up in terms of improved quality of the business, with more repeatable platform IT services helping generate benefits.

“Our Cloud and data centres strategy execution was highlighted by an excellent performance from Revera, and reinforced by the acquisition of South Island market leader CCL Group in December 2015. There’s also been a significant number of new enterprise and Government customer wins achieved during the period.

“The Spark Ventures innovation team has continued to be a critical innovation engine, creating a portfolio of growth options. The digital capability created by Ventures is now being deployed to drive benefits across the entire company.

“Spark is committed to providing customers with great internet delivered video entertainment, particularly given video is now more than two-thirds of our total network traffic and growing fast. So we’ll continue investing in media, evolving towards a more open platform approach as we respond to the rapidly changing market forces and trends. The market is already very different to when we launched Lightbox 18 months ago, and we expect that pace of change to continue.”

“And finally, within the Spark Connect division, the operational model continues to shift to a Digital First focus. We’ve significantly increased our network capacity, resilience and performance to accommodate the massive growth in demand for video, while our re-engineered IT stack is now a key enabler for digital services.”

Mr Verbiest said, “For shareholders, we remain pleased with the continued underlying improvement in free cash flow and the improving financial performance of the business. For FY16, the Board’s intention is still to pay annual dividends of 22 cents per share and special



dividends of 3 cents per share, subject to no material change in outlook. We anticipate the special dividends could continue into FY17 subject to no significant business changes.

“We’re looking forward to the rest of the FY16 year. Technology will have an increasingly powerful role to play for our country, and Spark New Zealand is absolutely committed to enabling New Zealanders and New Zealand businesses make the most of it.”

-ENDS-

For media queries, please contact:

Richard Llewellyn

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

For investor relations queries, please contact:

Stefan Knight

General Manager Finance and Business Performance +64 (0) 27 252 9438



Spark
New Zealand

H1 FY16

Financial Results

Simon Moutter
Managing Director

Jolie Hodson
Chief Financial Officer



H1 FY16 Summary

- **FY15 return to EBITDA growth reinforced again in H1 FY16**
- **Good sales momentum with more customers choosing Spark**
- **Underlying revenue growth achieved for the first time in many years**
- **Mobile and IT Services revenue growth exceeds decline in fixed legacy**
- **Cloud strategy growing margins and helping win more big customers**
- **Focusing on value in very competitive broadband market, soft-launched new fixed wireless broadband options**
- **Ventures unit has worked well to date, now resetting to capture learnings, media strategy evolving**
- **Copper input cost certainty attained following conclusion of regulatory process**
- **Positive impact of investment in brands, culture, networks, digital services and spectrum increasingly evident in market activity and results**

Results scorecard

Key Financials		Product Revenue		Market Share and Connections		
	H1 FY16		H1 FY16		31 Dec 2015	Change
Total Revenue Growth	-4.1%	Mobile Revenue Growth	11.7%	Mobile Share (Revenue)	42% ⁽¹⁾	2% ⁽²⁾
				Mobile Customers	2,212k	4.6%
EBITDA Growth	4.4%	Broadband Revenue Growth	4.6%	Broadband Share (Connections)	44% ⁽¹⁾	-2% ⁽²⁾
				Broadband Customers	675k	0.1%
DPS	12.5 cps ⁽³⁾ (up 3.5 cps)	IT Services Revenue Growth	9.2%	IT Services Share (Revenue)	14% ⁽¹⁾	0% ⁽²⁾

(1) Market share estimate

(2) Percentage Point estimate vs Dec 2014

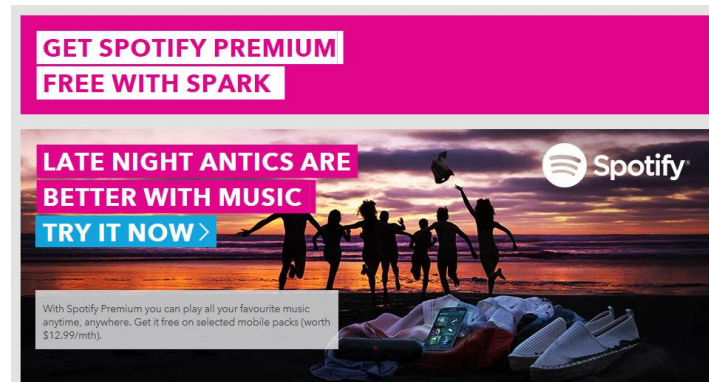
(3) 11 cps ordinary dividend, 1.5 cps special dividend

Closing in on leadership in mobile

- Mobile market revenue growing again
- Nearing #1 in Mobile revenue share, driven by 12% revenue growth
- Value-add and multi-brand strategies helping differentiate, with Skinny now top-rated brand in pre-paid
- Future focus:
 - pulling back from offers which drive churn in the prepaid channel
 - monetising demand for data and Value Added Services
 - driving uptake of M2M and business mobility options



MOST SATISFIED CUSTOMERS
MOBILE PHONE PREPAID PROVIDERS - 2015



**GET SPOTIFY PREMIUM
FREE WITH SPARK**

**LATE NIGHT ANTICS ARE
BETTER WITH MUSIC**

TRY IT NOW >

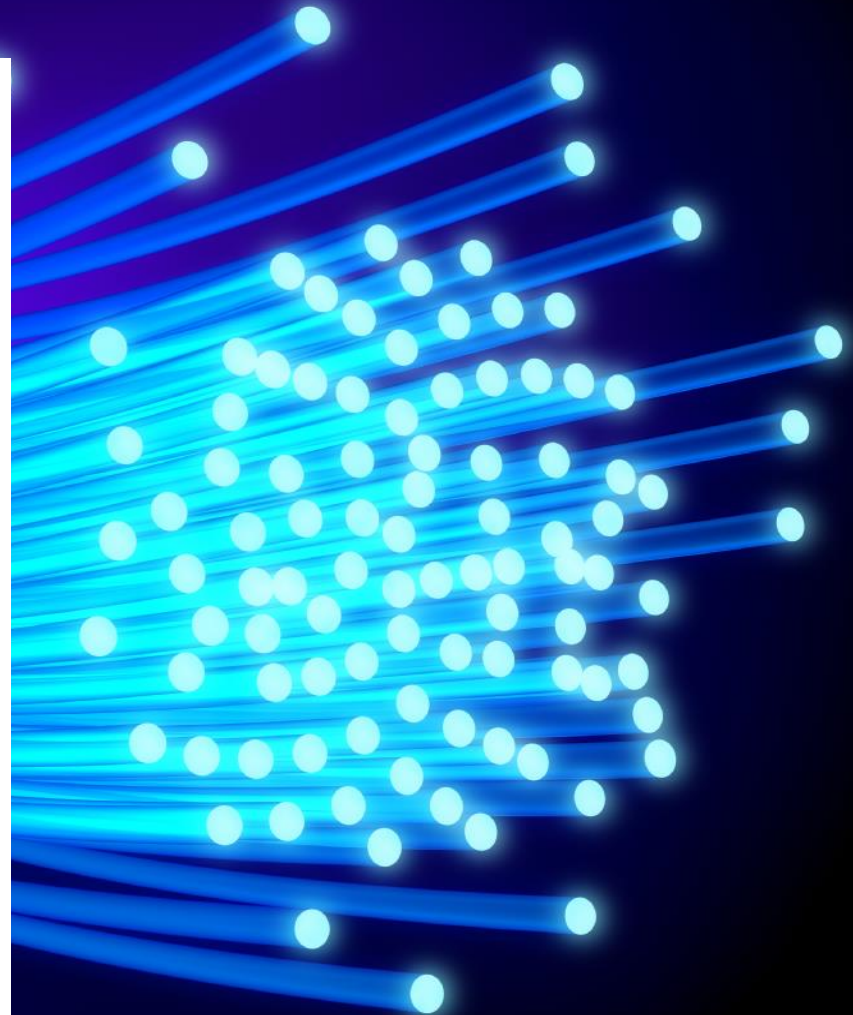
With Spotify Premium you can play all your favourite music anytime, anywhere. Get it free on selected mobile packs (worth \$12.99/mth).

Platform IT strategy working

- **Spark Digital focus on repeatable Platform IT generating operational and financial benefits**
- **Acquisition of CCL Group reinforces market position**
- **Spark Digital deal flow healthy as market embraces proposition**
- **Platform IT revenue up 27%**

Broadband market strategy evolving

- **Fibre demand increasing rapidly**
- **Market consolidation continuing**
- **Price competition driving customer loss in some segments**
- **Responding with:**
 - **Tactical offers built around Value Added Services**
 - **Investment in alternative brands (e.g. Bigpipe, NOW)**
 - **Soft-launched LTE options for fixed wireless broadband**



Spark Ventures reset underway



- **Focus still on innovation, with increased emphasis on leveraging our core business**
- **Skinny, Bigpipe and WiFi very successful and moved from Spark Ventures to core**
- **Spark Ventures now providing digital capability across the whole company**
- **Qrious and Morepork tracking upwards, Lightbox an established brand in a rapidly evolving market**

Continuing to invest in media

- **Spark committed to internet delivered video entertainment (video around 70% of our network traffic and growing)**
- **Lightbox has built a credible position, good market awareness, quality content and good relationships with content owners**
- **Original strategy was a disruptive, independent provider of “over the top” content, aimed at TV**
- **The market is already very different to when we launched, and will continue to rapidly evolve and fragment over time**
- **We will adjust our media approach as we go, in response to evolving market forces and trends**
- **Moving toward a more open video platform approach enabling content partners on a range of revenue models, and better integrated with broadband and mobile services**

Operational model shifting to Digital First focus

- **Significantly increased network capacity, resilience and performance**
- **Re-engineered IT stack now a key enabler, with API strategy initiated**
- **Improved operational delivery models with further changes underway**
- **Digital First programme continuing to embed into organisation, reinforced by creation of new Spark Platforms business unit**
- **Mobile and wireless (4G) data connectivity easier to do “digital first”**



Copper pricing certainty achieved (finally!)

- **Rising copper and fibre input cost pathway now certain following Commerce Commission decision and Crown Fibre Holdings contracts with Local Fibre Companies**
- **Naked and clothed broadband input costs identical**
- **Places upward pressure on retail broadband prices**
- **Inflated copper input cost creates incentives to drive migration to alternate access technologies**

	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019
Copper input costs (UCLL + UBA)	\$41.19	\$41.44	\$41.71	\$42.02	\$42.35

	Jul 2015	Jul 2016	Jul 2017	Jul 2018	Jul 2019
Entry-level Fibre input costs	\$38.50	\$39.50	\$40.50	\$41.50	\$42.50

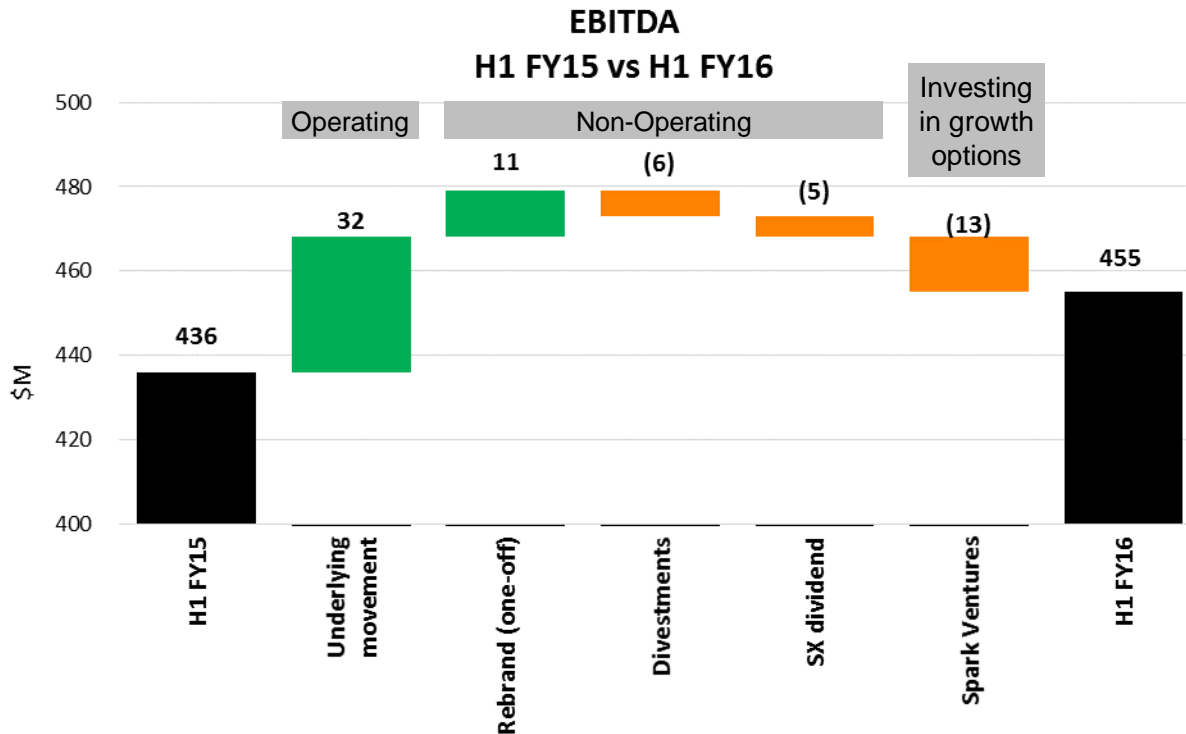
Reported Profit & Loss

Reported Results	H1 FY16 \$M	H1 FY15 \$M	CHANGE %
Revenues	1,723	1,797	(4.1%)
Operating expenses ⁽¹⁾	1,268	1,361	(6.8%)
EBITDA	455	436	4.4%
Depreciation & amortisation	224	224	-
Net finance expenses	13	12	8.3%
Income tax expense	60	53	13.2%
Net earnings	158	147	7.5%

⁽¹⁾ Includes share of Joint Ventures

EBITDA waterfall

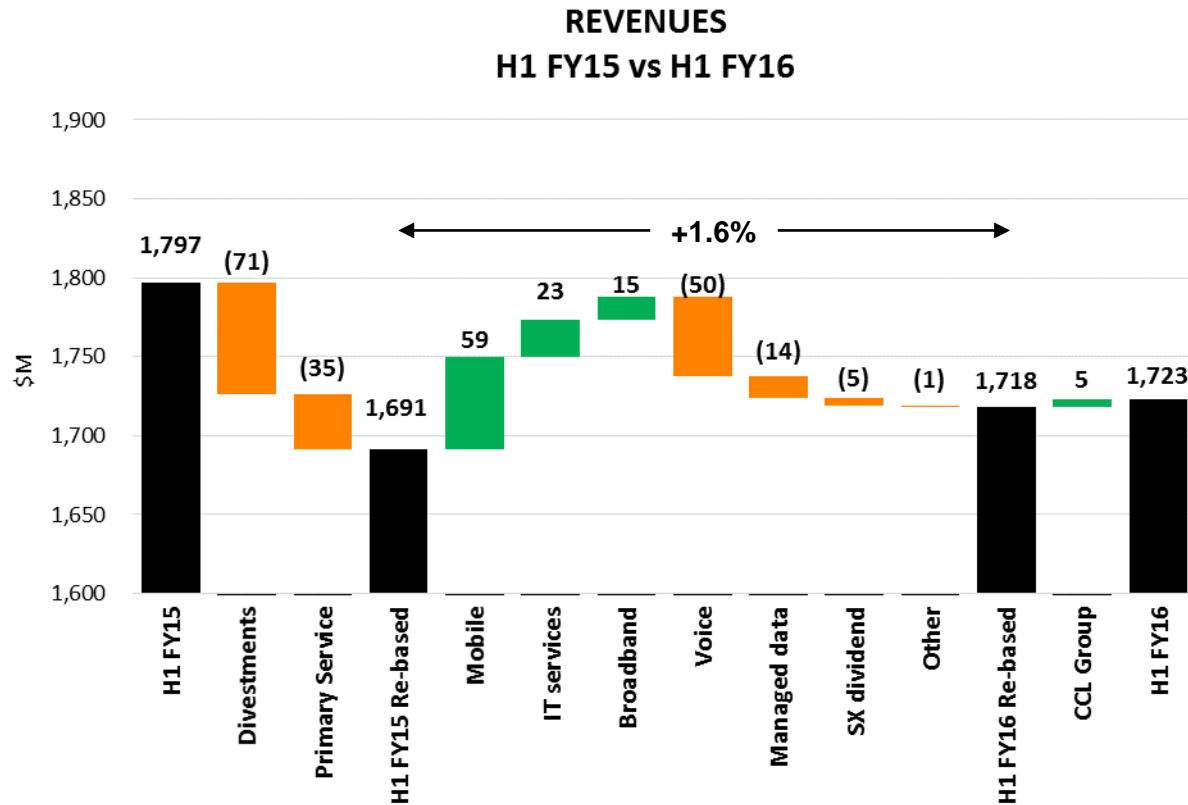
Underlying operating EBITDA uplift from growth in re-based revenues, input cost reduction and tight cost control



- Underlying operating EBITDA growth driven by Mobile, IT Services and reduced UBA costs
- Impact of divestments and lower Southern Cross dividend offset by prior year re-brand costs not repeating
- Ongoing investment in Spark Ventures growth options to create future revenue streams

Revenue waterfall

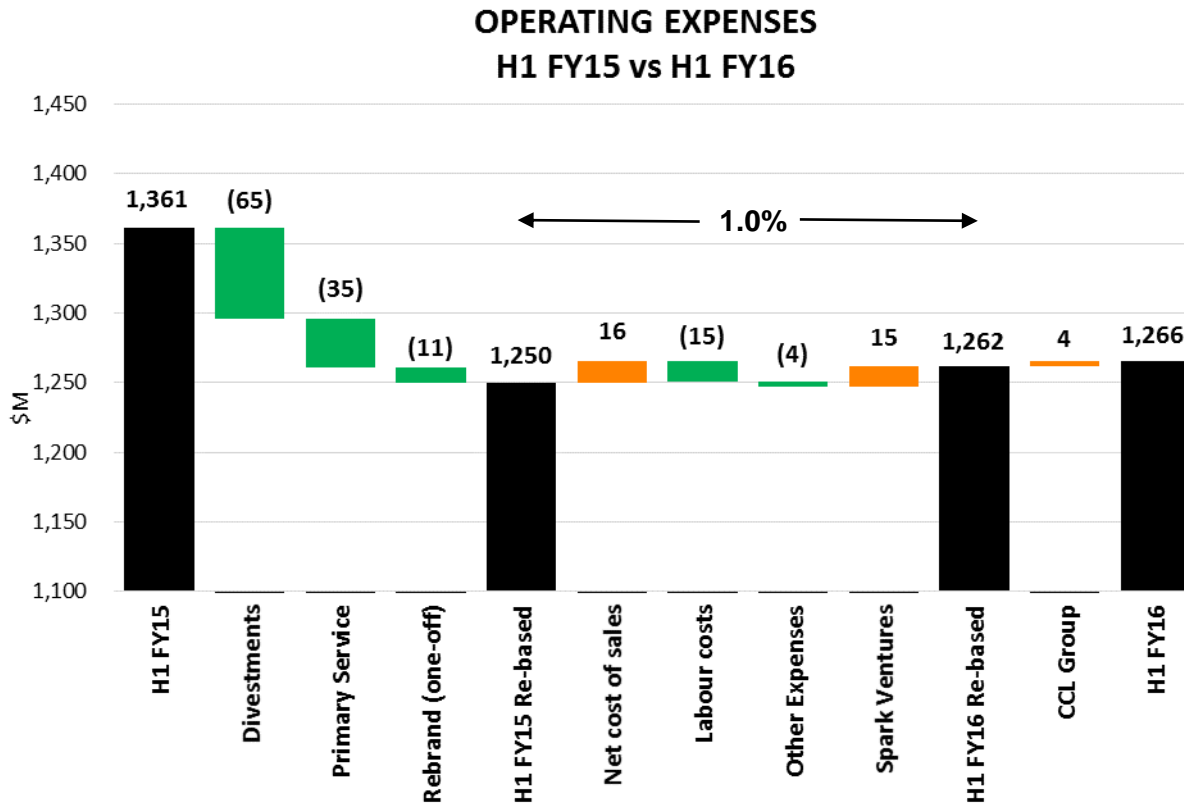
Re-based revenue growth achieved with strong Mobile and IT Services growth



- \$100m+ revenue impact from divestments and primary service regulatory change
- Re-based revenue growth achieved with Mobile and IT Services growth exceeding decline in Fixed legacy
- Mobile service revenues up 6% as connections grow and usage increases
- IT Services revenue (post TRL divestment and CCL acquisition adjustments) up 8% as customers move towards cloud based offerings more quickly
- Broadband revenue growth with shift towards higher value plans
- Voice and Managed data declines continue on prior trend

Operating Expenses waterfall

Underlying costs increase to support Mobile and IT Services growth and build of Spark Ventures



- Net cost of sales increase 2%,
 - 12% higher Mobile and IT Services cost of sales to support strong growth in Mobile connections and IT Services contracts
 - Offset by lower UBA costs
- Labour efficiencies driven by back-office efficiencies and tighter control over hiring
- Productivity savings fund investment in Spark Ventures growth options

Spark Home, Mobile & Business

Customer focus driving excellent commercial outcomes

	H1 FY16 \$M	H1 FY15 \$M	CHANGE %
Revenues	981	917	7.0%
Voice ⁽¹⁾	171	199	(14.1%)
Broadband ⁽¹⁾	320	302	6.0%
Mobile	461	391	17.9%
IT Services & Other	29	25	16.0%
Costs ⁽²⁾	601	570	5.4%
EBITDA	380	347	9.5%

- Excellent revenue and EBITDA growth achieved
- Brand preference continuing to rise
- Mobile revenues up 18%, service revenues up an outstanding 12%
- Focus has shifted from connection growth (+5%) to revenue growth and monetising demand for data from existing customers
- Broadband costs fell as UBA costs decreased, December increases will be mitigated by Broadband price rise
- Mobile handset cost growth as connections grow and customers buy more expensive devices
- Poor external fibre provisioning process impacting customers and placing pressure on contact centres, dedicated effort underway to improve customer experience
- Investment in Spark Ventures also driving cost increase

NB: Results include Spark Ventures

⁽¹⁾ Voice and Broadband revenues exclude the impact of 1 Feb 2015 price increase

⁽²⁾ Includes share of Joint Ventures

Spark Digital

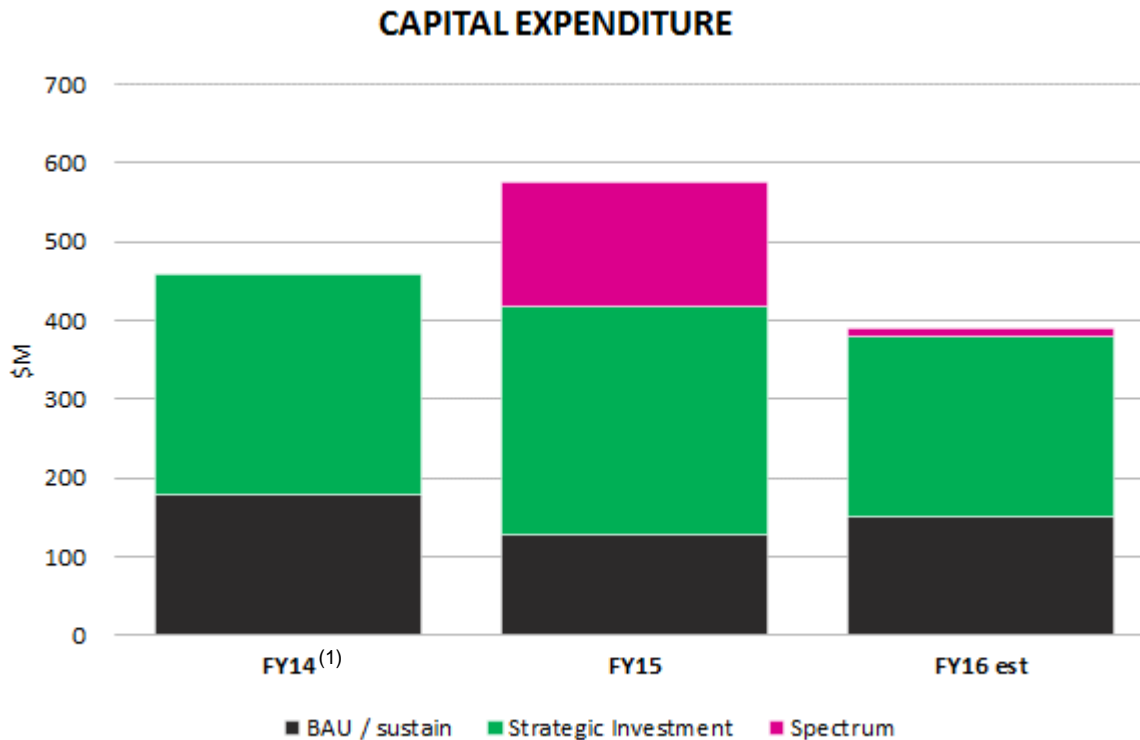
Transition to Platform IT provider continues

	H1 FY16 \$M	H1 FY15 \$M	CHANGE %
Revenues	601	622	(3.4%)
Voice	99	112	(11.6%)
Broadband	19	22	(13.6%)
Managed Data	69	77	(10.4%)
Mobile	95	107	(11.2%)
Traditional IT Services	92	97	(5.2%)
Platform IT Services	87	68	27.9%
Procurement & Other	140	139	0.7%
Costs	409	432	(5.3%)
EBITDA	192	190	1.1%

- EBITDA stabilised through focus on high-quality deal-flow and greater operational effectiveness
- New business wins up significantly versus a year ago, with multiple opportunities still in the pipeline
- IT Services growing strongly at 10% driven by the strategic shift toward the fast growing Platform IT category (+28%)
- Ongoing pricing pressure in Voice, Managed data, and Mobile
- Focus now on mobile value add to create growth opportunities and offset commoditisation of traditional mobile e.g. Internet of Things, M2M
- Cost-base down and productivity up through improved operational delivery

Capital Expenditure maintained at target levels

Investment driving operating efficiency, improved network performance, and enhancing customer experiences



- Continue to target long term capex below \$400m and at approx. 11% of revenue
- Capex guidance for FY16 lifted by \$10m to allow for opportunistic 2300 MHz spectrum purchase
- Re-engineering delivered improvements for customers who buy fibre online and pay-monthly billing capabilities
- Continuation of strong investment in Single Radio Access Network, 4G, Optical Transport Network, Carrier Ethernet and Broadband Network Gateways providing foundation for growth

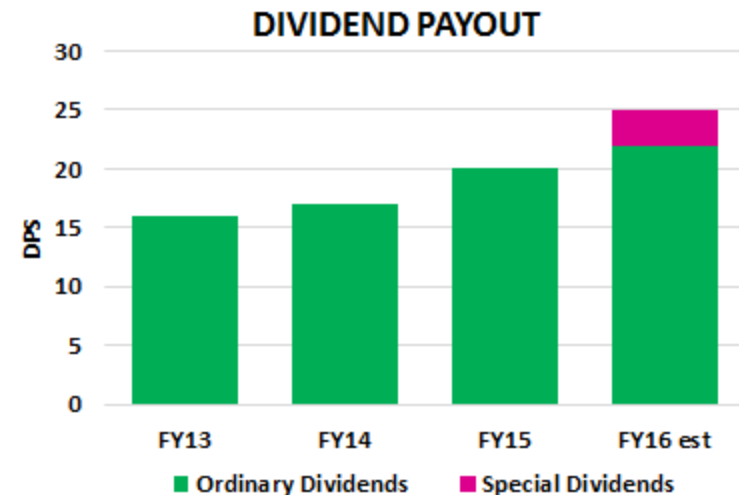
Materially increasing shareholder returns

Principles

- Remain committed to conservative capital structure and single 'A Band' Credit Rating from S&P
- Preferred method of shareholder distributions is to sustainably grow ordinary dividends over time in line with earnings growth
- On-market share buybacks and special dividends used as appropriate to reset capital structure

Dividends

- H1 FY16 dividend 11 cps, fully imputed
- Special dividend of 1.5 cps, fully imputed
- Anticipate special dividend of 3.0 cps could continue into FY17 (subject to no material change in the business). Imputation expected to be at least 75%
- DRP suspended
- On-market buyback not re-instated



FY16 Guidance

	FY15 Actuals	FY16 Guidance
Reported EBITDA ⁽¹⁾	\$962m	0-3% growth
Capex (excl spectrum)	\$418m	around \$380m
Spectrum	\$158m	\$9m
Total Capex	\$576m	around \$390m
DPS ⁽²⁾	20 cps fully imputed	Ordinary Div 22 cps ⁽²⁾ +Special Div 3 cps Fully imputed

(1) EBITDA guidance is relative to FY15 reported EBITDA

(2) Guidance subject to no adverse change in operating outlook

Business in good shape

- **Strong performance in Mobile and Platform IT creating revenue growth, which is more than offsetting fixed decline**
- **Mobile market returning to overall revenue growth led by Spark Group shift to focus on differentiated value, not connections**
- **Investments in Cloud capability paying back strongly**
- **Broadband market and our strategy in it evolving quickly**
- **Wireless (4G) investments sharply reducing marginal cost per cellular GB, creating new scale options for broadband access**
- **New Spark Platforms business unit to accelerate delivery of digital customer experiences**

Creates the foundation for modest EBITDA and EPS growth and increasing shareholder returns over the next few years

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

Spark New Zealand

Group result - continuing operations

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains	1,847	1,791	1,797	1,734	1,723
Operating expenses	1,395	1,307	1,361	1,205	1,266
Share of associates' and joint ventures' net losses	-	-	-	(3)	(2)
EBITDA	452	484	436	526	455
Depreciation and amortisation expense	227	224	224	229	224
Net finance expense	17	14	12	15	13
Tax expense	61	70	53	54	60
Net earnings after tax	147	176	147	228	158

EBITDA by business unit

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
EBITDA					
Spark Home, Mobile & Business	344	372	347	404	380
Spark Digital	200	213	190	199	192
Spark Connect	(87)	(68)	(82)	(73)	(100)
Corporate	(5)	(33)	(19)	(4)	(17)
	452	484	436	526	455

The Group has reclassified the comparative segment results to reflect changes in business unit structures and changes in accountabilities for managing revenues and costs. This includes the reclassification of backhaul expenses previously recognised within the Spark Home, Mobile & Business and Spark Digital business units into Spark Connect and the Group's mobile phone insurance product from the Corporate Centre to Spark Home, Mobile & Business. There is no change to the overall Group reported result as a result of these changes.

Connections

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	000's	000's	000's	000's	000's
Mobile connections	1,923	2,006	2,114	2,178	2,212
Local service connections	1,399	1,374	1,350	1,319	1,281
Broadband connections	661	669	674	680	675

Spark New Zealand

Operating revenues and other gains by business unit

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains					
Spark Home, Mobile & Business	905	897	917	940	981
Spark Digital	643	645	622	593	601
Spark Connect	294	280	267	191	138
Corporate	63	40	46	65	26
Eliminations	(58)	(71)	(55)	(55)	(23)
	1,847	1,791	1,797	1,734	1,723

Group operating revenues and other gains - continuing operations

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues ¹					
Voice	534	503	479	401	337
Broadband ²	318	325	324	326	339
Managed data	117	118	110	98	96
Mobile					
Service revenue	366	369	367	376	390
Other mobile revenue	126	115	137	139	173
	492	484	504	515	563
IT services					
Traditional IT services	103	101	101	103	92
Platform IT services	59	62	73	86	93
Procurement	114	122	121	108	137
	276	285	295	297	322
Other operating revenue	102	74	85	65	66
Total operating revenues	1,839	1,789	1,797	1,702	1,723
Other gains	8	2	-	32	-
Total operating revenues and other gains	1,847	1,791	1,797	1,734	1,723

¹The disaggregation of operating revenues has been changed in the current period to better reflect the nature of services the Group provides to its customers. Operating revenues previously classified as 'Fixed' have been re-presented to allocate its 'Access' and 'Other' components to the appropriate service provided, being Voice or Broadband. Total operating revenues are unchanged. Comparative information has also been re-presented to conform to the current period's presentation.

² Fixed wireless broadband revenues and connections are included in broadband revenues and connections.

Spark New Zealand

Impact of UBA as primary service, divestments and acquisition

Included in the above reported operating revenues are the following amounts related to the impact of UBA as a primary service and the international voice business, TCNZ Cook Islands Limited (which held the Group's 60% share of Telecom Cook Islands Limited), Telecom Rentals Limited prior to their divestment and the acquisition of the CCL Group in H1 FY16. The revenue impact of UBA as a primary service has an equal offsetting effect on operating expenses.

UBA as primary service:	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Voice	44	43	35	-	-
Divestments:					
	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues					
Voice	56	41	57	38	-
IT services	1	-	1	2	-
Other operating revenue	10	9	13	2	-
	67	50	71	42	-
Acquisition of CCL Group:					
	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues					
IT services	-	-	-	-	5

Rebased: Group operating revenues and other gains - continuing operations

After adjusting for the impact of UBA as a primary service, divestments and acquisitions as outlined above, rebased operating revenues and other gains are shown below.

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues					
Voice	434	419	387	363	337
Broadband	318	325	324	326	339
Managed data	117	118	110	98	96
Mobile					
Service revenue	366	369	367	376	390
Other mobile revenue	126	115	137	139	173
	492	484	504	515	563
IT services					
Traditional IT services	102	101	100	101	91
Platform IT services	59	62	73	86	89
Procurement	114	122	121	108	137
	275	285	294	295	317
Other operating revenue	92	65	72	63	66
Total operating revenues	1,728	1,696	1,691	1,660	1,718
Other gains	8	2	-	32	-
Total rebased operating revenues and other gains	1,736	1,698	1,691	1,692	1,718

Spark New Zealand

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

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains					
Voice	223	207	199	190	171
Broadband	293	300	302	307	320
Mobile	372	372	391	416	461
IT services	1	1	5	6	6
Other operating revenue	16	17	18	20	21
Internal revenue	-	-	2	1	2
	905	897	917	940	981
Operating expenses					
Labour	56	56	62	59	68
Other operating expenses	489	451	489	455	515
Internal expenses	16	18	19	18	15
	561	525	570	532	598
Share of associates' and joint ventures' net losses	-	-	-	(4)	(3)
EBITDA	344	372	347	404	380

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

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
Local service					
Broadband connections (000)	640	648	653	659	654
Landline only connections (000)	273	246	232	211	200
Total connections (000)	913	894	885	870	854
FTE permanent	1,432	1,429	1,454	1,433	1,594
FTE contractors	136	155	137	165	173
Total FTE	1,568	1,584	1,591	1,598	1,767

Spark New Zealand

Financial breakdown by business unit - Spark Digital

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains					
Voice	123	119	112	103	99
Broadband	25	25	22	19	19
Managed data	81	78	77	67	69
Mobile	115	106	107	93	95
IT services	273	283	286	288	316
Other operating revenue	3	1	3	2	-
Other gains	3	-	-	-	-
Internal revenue	20	33	15	21	3
	643	645	622	593	601
Operating expenses					
Labour	120	113	118	105	101
Other operating expenses	303	301	294	273	303
Internal expenses	20	18	20	16	5
	443	432	432	394	409
EBITDA	200	213	190	199	192

Analysis & KPI's - Spark Digital

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
IT services revenue by type					
Traditional IT services - \$m	101	100	97	100	92
Platform IT services - \$m	58	61	68	80	87
Procurement - \$m	114	122	121	108	137
	273	283	286	288	316
Local service					
Broadband connections (000)	21	21	21	21	21
Total connections (000)	72	71	69	67	65
FTE permanent	1,869	1,852	1,799	1,705	1,776
FTE contractors	163	174	126	91	73
Total FTE	2,032	2,026	1,925	1,796	1,849

Spark New Zealand

Financial breakdown by business unit - Spark Connect

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains					
Voice	188	177	168	108	67
Managed data	36	40	33	31	27
Mobile	5	6	6	6	7
IT services	1	1	3	1	-
Other operating revenue	40	31	33	22	19
Internal revenue	24	25	24	23	18
	294	280	267	191	138
Operating expenses					
Labour	70	66	72	62	67
Other operating expenses	306	277	271	199	169
Internal expenses	5	5	6	4	3
	381	348	349	265	239
Share of associates' and joint ventures' net profits	-	-	-	1	1
EBITDA	(87)	(68)	(82)	(73)	(100)

Analysis & KPI's - Spark Connect

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
Analysis of international transits					
International transit revenue - \$m	64	48	64	42	-
International intercarrier costs - \$m	54	41	56	37	-
Local service					
Total connections (000) ¹	414	409	396	382	362
FTE permanent	1,856	1,711	1,870	1,503	1,505
FTE contractors	119	57	53	41	52
Total FTE	1,975	1,768	1,923	1,544	1,557

¹ H1 FY16 total connections includes 89,000 landline only connections. Comparative information for prior periods is not available.

Spark New Zealand

Financial breakdown by business unit - Corporate

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Operating revenues and other gains					
IT services	1	-	1	2	-
Other operating revenue	43	25	31	21	26
Other gains	5	2	-	32	-
Internal revenue	14	13	14	10	-
	63	40	46	65	26
Operating expenses					
Labour	20	29	19	21	16
Other operating expenses	31	14	36	31	27
Internal expenses	17	30	10	17	-
	68	73	65	69	43
EBITDA	(5)	(33)	(19)	(4)	(17)

Analysis & KPI's - Corporate

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
Southern cross dividends - \$m	43	24	31	22	26
FTE permanent	185	180	174	151	148
FTE contractors	9	7	5	3	3
Total FTE	194	187	179	154	151

Spark New Zealand

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

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
Mobile revenue					
Service revenue - \$m	361	363	361	371	384
Other mobile revenue ¹ - \$m	126	115	137	138	172
	487	478	498	509	556
Average revenue per user (ARPU) - 6 month active					
ARPU - \$ per month	32.78	30.10	29.77	28.61	29.47
Pay-monthly - \$ per month	52.79	50.08	48.56	46.94	48.17
Prepaid - \$ per month	11.90	11.39	11.57	11.39	11.72
Number of mobile connections at period end - 6 month active					
Pay-monthly (000)	948	979	1,018	1,045	1,069
Prepaid (000)	967	1,021	1,092	1,129	1,139
Internal connections (000)	8	6	4	4	4
Total mobile connections ² (000)	1,923	2,006	2,114	2,178	2,212

¹ Other mobile revenue includes handset sales and mobile interconnect

² Mobile connections exclude MVNO connections

Spark New Zealand

Group operating expenses - continuing operations

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Payments to telecommunications operators					
Baseband and access charges	231	218	205	169	162
Other intercarrier costs	111	101	97	73	43
Broadband cost of sales	133	138	140	114	119
Field services	17	6	11	8	10
	492	463	453	364	334
Mobile acquisition, procurement and IT services					
Mobile cost of sales	193	173	204	194	229
IT services cost of sales	161	174	164	160	184
	354	347	368	354	413
Labour	266	264	271	247	252
Other operating expenses					
Direct network costs	44	30	31	18	38
Computer costs	38	33	37	39	38
Accommodation costs	43	46	48	44	47
Advertising, promotions and communication	44	25	46	32	45
Bad debts	16	6	7	6	11
Other	98	93	100	101	88
	283	233	269	240	267
Total operating expenses	1,395	1,307	1,361	1,205	1,266

Group FTE's - continuing operations

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
FTE permanent	5,342	5,172	5,297	4,792	5,023
FTE contractors	427	393	321	300	301
Total FTE	5,769	5,565	5,618	5,092	5,324

Spark New Zealand

Group capital expenditure

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
Major programmes					
Optical transport network (OTN) and Carrier Ethernet	22	5	6	10	21
Re-engineering of IT systems	44	31	29	43	42
Mobile network	89	41	57	35	58
Takanini data centre	-	-	61	-	-
	155	77	153	88	121
Operating capital expenditure					
Southern Cross capacity	10	11	5	-	9
Customer growth and retention	101	105	91	81	86
	111	116	96	81	95
Total major programmes and operating capital expenditure	266	193	249	169	216
Mobile spectrum	-	-	158	-	-
Total capital expenditure from continuing operations	266	193	407	169	216
Discontinued operation - AAPT	27	8	-	-	-
Total capital expenditure	293	201	407	169	216

Capital expenditure is presented on an accruals basis.