



## **Market Announcement**

19 February 2016

### **H1 FY16 Additional Disclosure**

Following investor and analyst requests, Spark New Zealand has today released additional calling disclosures within the H1 FY16 detailed financials.

Please note that no other financial information has changed.

-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

## 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)
<b>EBITDA</b>	<b>452</b>	<b>484</b>	<b>436</b>	<b>526</b>	<b>455</b>
Depreciation and amortisation expense	227	224	224	229	224
Net finance expense	17	14	12	15	13
Tax expense	61	70	53	54	60
<b>Net earnings after tax</b>	<b>147</b>	<b>176</b>	<b>147</b>	<b>228</b>	<b>158</b>

## EBITDA by business unit

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
<b>EBITDA</b>					
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)
	<b>452</b>	<b>484</b>	<b>436</b>	<b>526</b>	<b>455</b>

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
<b>Operating revenues and other gains</b>					
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)
	<b>1,847</b>	<b>1,791</b>	<b>1,797</b>	<b>1,734</b>	<b>1,723</b>

## Group operating revenues and other gains - continuing operations

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
<b>Operating revenues <sup>1</sup></b>					
Voice	534	503	479	401	337
Broadband <sup>2</sup>	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
<b>Total operating revenues</b>	<b>1,839</b>	<b>1,789</b>	<b>1,797</b>	<b>1,702</b>	<b>1,723</b>
Other gains	8	2	-	32	-
<b>Total operating revenues and other gains</b>	<b>1,847</b>	<b>1,791</b>	<b>1,797</b>	<b>1,734</b>	<b>1,723</b>

<sup>1</sup>The 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.

<sup>2</sup> Fixed wireless broadband revenues and connections are included in broadband revenues and connections.

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Landline only	247	237	221	177	169
Calling	272	250	241	209	153
Other	15	16	17	15	15
	534	503	479	401	337

# 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.

	H1 FY14 \$m	H2 FY14 \$m	H1 FY15 \$m	H2 FY15 \$m	H1 FY16 \$m
<b>UBA as primary service:</b>					
Voice	44	43	35	-	-
<b>Divestments:</b>					
Voice	56	41	57	38	-
IT services	1	-	1	2	-
Other operating revenue	10	9	13	2	-
	67	50	71	42	-
<b>Acquisition of CCL Group:</b>					
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 \$m	H2 FY14 \$m	H1 FY15 \$m	H2 FY15 \$m	H1 FY16 \$m
<b>Operating revenues</b>					
Voice	434	419	387	363	337
Broadband	318	325	324	326	339
Managed data	117	118	110	98	96
<b>Mobile</b>					
Service revenue	366	369	367	376	390
Other mobile revenue	126	115	137	139	173
	492	484	504	515	563
<b>IT services</b>					
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
<b>Total operating revenues</b>	<b>1,728</b>	<b>1,696</b>	<b>1,691</b>	<b>1,660</b>	<b>1,718</b>
Other gains	8	2	-	32	-
<b>Total rebased operating revenues and other gains</b>	<b>1,736</b>	<b>1,698</b>	<b>1,691</b>	<b>1,692</b>	<b>1,718</b>
<b>Voice revenue by type</b>					
Landline only	203	194	186	177	169
Calling	216	209	184	171	153
Other	15	16	17	15	15
	434	419	387	363	337

# 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
<b>Operating revenues and other gains</b>					
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
	<b>905</b>	<b>897</b>	<b>917</b>	<b>940</b>	<b>981</b>
<b>Operating expenses</b>					
Labour	56	56	62	59	68
Other operating expenses	489	451	489	455	515
Internal expenses	16	18	19	18	15
	<b>561</b>	<b>525</b>	<b>570</b>	<b>532</b>	<b>598</b>
Share of associates' and joint ventures' net losses	-	-	-	(4)	(3)
<b>EBITDA</b>	<b>344</b>	<b>372</b>	<b>347</b>	<b>404</b>	<b>380</b>

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

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Landline only	95	90	88	85	82
Calling	119	110	103	97	81
Other	9	7	8	8	8
	<b>223</b>	<b>207</b>	<b>199</b>	<b>190</b>	<b>171</b>
<b>Local service</b>					
Broadband connections (000)	640	648	653	659	654
Landline only connections (000)	273	246	232	211	200
<b>Total connections (000)</b>	<b>913</b>	<b>894</b>	<b>885</b>	<b>870</b>	<b>854</b>
FTE permanent	1,432	1,429	1,454	1,433	1,594
FTE contractors	136	155	137	165	173
<b>Total FTE</b>	<b>1,568</b>	<b>1,584</b>	<b>1,591</b>	<b>1,598</b>	<b>1,767</b>

# 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
<b>Operating revenues and other gains</b>					
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
	<b>643</b>	<b>645</b>	<b>622</b>	<b>593</b>	<b>601</b>
<b>Operating expenses</b>					
Labour	120	113	118	105	101
Other operating expenses	303	301	294	273	303
Internal expenses	20	18	20	16	5
	<b>443</b>	<b>432</b>	<b>432</b>	<b>394</b>	<b>409</b>
<b>EBITDA</b>	<b>200</b>	<b>213</b>	<b>190</b>	<b>199</b>	<b>192</b>

## Analysis & KPI's - Spark Digital

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Landline only	51	49	45	41	39
Calling	71	67	64	60	58
Other	1	3	3	2	2
	<b>123</b>	<b>119</b>	<b>112</b>	<b>103</b>	<b>99</b>
<b>IT services revenue by type</b>					
Traditional IT services	101	100	97	100	92
Platform IT services	58	61	68	80	87
Procurement	114	122	121	108	137
	<b>273</b>	<b>283</b>	<b>286</b>	<b>288</b>	<b>316</b>
<b>Local service</b>					
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
<b>Total FTE</b>	<b>2,032</b>	<b>2,026</b>	<b>1,925</b>	<b>1,796</b>	<b>1,849</b>

# 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
<b>Operating revenues and other gains</b>					
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
	<b>294</b>	<b>280</b>	<b>267</b>	<b>191</b>	<b>138</b>
<b>Operating expenses</b>					
Labour	70	66	72	62	67
Other operating expenses	306	277	271	199	169
Internal expenses	5	5	6	4	3
	<b>381</b>	<b>348</b>	<b>349</b>	<b>265</b>	<b>239</b>
Share of associates' and joint ventures' net profits	-	-	-	1	1
<b>EBITDA</b>	<b>(87)</b>	<b>(68)</b>	<b>(82)</b>	<b>(73)</b>	<b>(100)</b>

## Analysis & KPI's - Spark Connect

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
<b>Voice revenue by type</b>					
Landline only	101	98	88	51	48
Calling	82	73	74	52	14
Other	5	6	6	5	5
	<b>188</b>	<b>177</b>	<b>168</b>	<b>108</b>	<b>67</b>
<b>Analysis of international transits</b>					
International transit revenue	64	48	64	42	-
International intercarrier costs	54	41	56	37	-
<b>Local service</b>					
Total connections (000) <sup>1</sup>	414	409	396	382	362
FTE permanent	1,856	1,711	1,870	1,503	1,505
FTE contractors	119	57	53	41	52
<b>Total FTE</b>	<b>1,975</b>	<b>1,768</b>	<b>1,923</b>	<b>1,544</b>	<b>1,557</b>

<sup>1</sup> 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
<b>Operating revenues and other gains</b>					
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
<b>Operating expenses</b>					
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
<b>EBITDA</b>	<b>(5)</b>	<b>(33)</b>	<b>(19)</b>	<b>(4)</b>	<b>(17)</b>

## 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
<b>Total FTE</b>	<b>194</b>	<b>187</b>	<b>179</b>	<b>154</b>	<b>151</b>



# Spark New Zealand

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

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
<b>Mobile revenue</b>					
Service revenue - \$m	361	363	361	371	384
Other mobile revenue <sup>1</sup> - \$m	126	115	137	138	172
	487	478	498	509	556
<b>Average revenue per user (ARPU) - 6 month active</b>					
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
<b>Number of mobile connections at period end - 6 month active</b>					
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
<b>Total mobile connections <sup>2</sup> (000)</b>	1,923	2,006	2,114	2,178	2,212

<sup>1</sup> Other mobile revenue includes handset sales and mobile interconnect

<sup>2</sup> 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
<b>Payments to telecommunications operators</b>					
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
<b>Mobile acquisition, procurement and IT services</b>					
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
<b>Other operating expenses</b>					
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
<b>Total operating expenses</b>	<b>1,395</b>	<b>1,307</b>	<b>1,361</b>	<b>1,205</b>	<b>1,266</b>

## 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
<b>Total FTE</b>	<b>5,769</b>	<b>5,565</b>	<b>5,618</b>	<b>5,092</b>	<b>5,324</b>

# Spark New Zealand

## Group capital expenditure

	H1 FY14	H2 FY14	H1 FY15	H2 FY15	H1 FY16
	\$m	\$m	\$m	\$m	\$m
<b>Major programmes</b>					
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
<b>Operating capital expenditure</b>					
Southern Cross capacity	10	11	5	-	9
Customer growth and retention	101	105	91	81	86
	111	116	96	81	95
<b>Total major programmes and operating capital expenditure</b>	266	193	249	169	216
Mobile spectrum	-	-	158	-	-
<b>Total capital expenditure from continuing operations</b>	266	193	407	169	216
Discontinued operation - AAPT	27	8	-	-	-
<b>Total capital expenditure</b>	293	201	407	169	216

Capital expenditure is presented on an accruals basis.