MARKET RELEASE

4 December 2018

Updates to external reporting of financial results and adoption of revised NZX Listing Rules

To assist investors and analysts in recalibrating their models Spark has today released restated FY17 and FY18 financials, and translated FY19 guidance, to reflect changes to the presentation of Spark's financial results from FY19. These changes arise from:

- Adoption of the new accounting standards - NZ IFRS 15 *Revenue from contracts with customers* and NZ IFRS 16 *Leases*; and
- Changes to the disclosure of Spark's long-term investments.

Alongside these changes Spark has also made a number of other improvements to the structure and detail of its externally reported financials, including:

- Changes to reflect Spark's shift to Agile and the associated cessation of Spark's previous business unit structure; and
- Adoption of the new NZX Listing Rules from 1 January 2019 which will apply to its reporting of FY19 interim results.

The resulting impacts on reported FY17 and FY18 financial results are outlined in both the attached supplementary presentation and the attached detailed financials workbook. While these updates are all 'non-cash' and therefore have no impact on reported total cashflow it should be noted that:

1. EBITDA is now replaced by 'Earnings before finance expense and income, net investment income, income tax, depreciation and amortisation' or EBITDAI – with the new 'net investment income' category including dividend income from Southern Cross (and any other investments) together with Spark's share of associates' and joint ventures' net profits and losses;
2. Reported EBITDAI and EBITDAI margin increase due to adoption of new accounting standards;
3. Reported Net Profit after Tax (NPAT) and earnings per share reduce due to adoption of new accounting standards;
4. Following Spark's move to Agile the primary segmental lens has moved from business unit to product; with business units now removed from all external reporting;
5. Revenue and associated costs for each product are now separately identified; to provide a view of gross margin by product; and

6. To provide a more informed view of margin generated by cloud, security and service management an additional measure called 'contribution margin', which includes directly attributable labour costs and other expenses, has been introduced

Translated FY19 guidance
Spark has previously issued FY19 guidance *excluding* impacts from the adoption of NZ IFRS 15 and NZ IFRS 16 accounting standards.

To ensure FY19 guidance can be appropriately compared to restated FY17 and FY18 actuals and interim and full year FY19 results, Spark has today released translated FY19 guidance *including* impacts from the adoption of NZ IFRS 15 and NZ IFRS 16 accounting standards. This translated FY19 guidance replaces FY19 guidance previously issued to the market.

	Current FY19 Guidance(1) Including adjustments for: • New approach to disclosure of Spark's long-term investments	Impact from adoption of NZ IFRS 15	Impact from adoption of NZ IFRS 16	**Translated** FY19 Guidance(1) Including adjustments for: • New approach to disclosure of Spark's long-term investments; and • Adoption of NZ IFRS 15 and NZ IFRS 16 accounting standards
Total Revenues	**\$3,600m to \$3,670m** Excludes projected \$10m-\$20m Southern Cross Dividend	**(\$75m)**	**\$5m**	**\$3,530m to \$3,600m** Excludes projected \$10m-\$20m Southern Cross Dividend
EBITDAI	**\$1,025m to \$1,055m** Excludes projected \$10-\$20m Southern Cross dividend and profits and losses from associates' and joint ventures'	**(\$30m)**	**\$70m**	**\$1,065m to \$1,095m** Excludes projected \$10-\$20m Southern Cross dividend and profits and losses from associates' and joint ventures'
Capex (2)	**~\$410m**	-	-	**~\$410m**
Earnings per share	**23c to 24c**	**(0.5c)**	**(0.5c)**	**22c to 23c**
Dividend per share	**Total 25.0cps** at least 75% imputed(3)	-	-	**Total 25.0cps** at least 75% imputed(3)

(1) Guidance subject to no adverse change in operating outlook
(2) Includes purchase of property, plant and equipment and intangible assets, capacity purchases (including Southern Cross) but excludes leased customer equipment assets
(3) Likely to be made up of an ordinary dividend topped up by a special dividend to maintain a total dividend per share of 25.0c

New cashflow measure
While the adoption of new accounting standards and changes to the disclosure of Spark's long-term investments do not impact reported total cashflow, they do reduce the effectiveness of EBITDAI and NPAT as proxies for cashflow. Therefore, Spark is introducing a new cashflow measure, that will supplement existing metrics, to:

- Better communicate the cashflow generated by Spark;
- Provide a measure that is not impacted by changes in accounting standards; and
- Facilitate a clearer reconciliation of any movement in net debt to underlying business performance.

The new measure is identified as "cash from operations minus payments for leases and capital expenditure (excl. spectrum)" and will be provided as part of ongoing external financial reporting.

Translated financial aspirations
The intent of Spark's three-year aspirations in respect of both dividends and cost efficiency (as first communicated to the market at Spark's June 2017 Investor Day) are unchanged. However, as adoption of new accounting standards and changes to the disclosure of Spark's long-term investments impact both reported EBITDAI margin and reported earnings per share, these aspirations have been translated as follows:

From:

- Increase EBITDA margin to low 30% through a focus on cost reductions and selected investment in sustainable growth; and
- Deliver a sustainable total dividend that is fully funded by earnings per share of 25c or above – timing uncertain

To:

- Increase EBITDAI margin to at least 31% through a focus on cost reductions and selected investment in sustainable growth; and
- Deliver a sustainable total dividend of 25 cents or above that is not supplemented by debt – timing uncertain

Spark's FY19 dividend guidance remains unchanged with Spark still anticipating paying a total dividend of 25cps[1] (at least 75% imputed), subject to no adverse change in operating outlook.

[1]Likely to be made up of an ordinary dividend topped up by a special dividend to maintain a total dividend per share of 25c

Adoption of new NZX listing rules
Spark is adopting the new NZX Listing Rules from 1 January 2019 which will apply to its reporting of FY19 interim results. As a result, Spark will no longer produce a half-year interim report booklet in the form it has previously, but will publish:

- A market release;
- A supplementary results presentation;
- Interim financial statements; and
- A detailed financial schedule

Commentary on performance will be covered at a high level in the market release and in more detail as part of the results presentation that is already released alongside Spark's interim financial statements.

Investors and analysts are also invited to attend a presentation via teleconference to discuss these updates to Spark's external reporting.

DATE: Tuesday, 04 December 2018
TIME: 9.00 am (AEDT)
11.00 am (NZDT)
If you would like to join via teleconference, please use the following dial-in numbers:
AUDIO CONFERENCE ID: 3393587

Country	Date	Time	Dial In
New Zealand	04/12/18	11.00am NZDT	0800 444 845
Australia	04/12/18	09.00am AEDT	1800 175 864
USA	03/12/18	5.00pm EST	1855 823 0291
Hong Kong	04/12/18	06.00am HKT	800 963 435
Singapore	04/12/18	06.00am SGT	800 616 2312
Japan	04/12/18	07.00am JST	012 099 4106
UK	03/12/18	10.00pm GMT	080 8234 1368

Please dial into the teleconference 10 minutes before the start of the presentation.

- ENDS –

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Updates to External Reporting

Investor and Analyst Briefing: December 2018

Summary

As outlined at Spark's FY18 results announcement the presentation of Spark's financial results will change from FY19 onwards as a result of:

- Adoption of the new accounting standards - NZ IFRS 15 *Revenue from contracts with customers* and NZ IFRS 16 *Leases*;
- Changes to the disclosure of Spark's long-term investments;
- Spark's shift to Agile and the associated cessation of Spark's previous business unit structure; and
- Other elective changes to the structure and detail of external disclosures

This presentation provides a view of impacts arising from these changes. A detailed financial workbook, containing restated financials for FY17 and FY18, has also been released alongside this presentation – it should be noted that:

- FY18 accounting standard adjustments have been audited by KPMG
- FY17 accounting standard adjustments reflect estimated impacts to aid comparability

FY19 guidance has also been translated to reflect impacts from these changes and is provided in more detail on slide 8 of this presentation.

While these updates have no impact on reported total cashflow it should be noted that:

1. EBITDA is now replaced by 'earnings before finance expense and income, net investment income, income tax, depreciation and amortisation' or **EBITDAI** – with the new 'net investment income' category including dividend income from Southern Cross (and any other investments) together with Spark's share of associates' and joint ventures' net profits and losses
2. These changes reduce the effectiveness of EBITDAI and NPAT as proxies for cashflow. Therefore, Spark is introducing a new cashflow metric that will supplement exiting metrics and be included as part of Spark's ongoing external financial reporting
3. Reported EBITDAI and EBITDAI margin increase due to adoption of new accounting standards
4. Reported net earnings after tax and earnings per share reduce due to adoption of new accounting standards
5. Spark is adopting the new NZX Listing Rules from 1 January 2019 which will apply to its reporting of FY19 interim results. As a result Spark will no longer produce a half-year interim report booklet, in the form it has previously, but will publish a market release, a supplementary results presentation, interim financial statements and a detailed financial schedule. Commentary on performance will be covered at a high level in the market release and in more detail as part of the results presentation that is already released alongside Spark's interim financial statements.

FY17 and FY18 restatements

Adoption of NZ IFRS 15

NZ IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and is required to be adopted from FY19 onwards

	Impact on previously reported financials due to adoption of NZ IFRS 15	
	FY17 $m	FY18 $m
Operating revenues and other gains	(50)	(69)
Operating expenses	26	39
EBITDAI	**(24)**	**(30)**
Depreciation and amortisation	-	-
Net investment income	-	-
Finance income	14	18
Finance expense	-	
Net earnings before income tax	(10)	(12)
Tax expense	-	-
Net earnings after income tax	**(10)**	**(12)**
Earnings per share (cents)	(0.5)	(0.7)

Background

- Replaces NZ IAS 18 revenue and related interpretations and sets out the requirements for recognising revenue and costs from contracts with customers
- Requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative stand-alone selling price basis
- Spark has elected to transition to NZ IFRS 15 using the full retrospective method

Impact on Spark's externally reported financials

1. For Spark's 'interest free' device offers a portion of associated operating revenue, reflecting the credit risk of the customer, moves to interest income outside of EBITDAI and is recognised over the term of the interest free period, rather than in the first month of the interest free arrangement. As the total value of devices on interest free arrangements increased during FY17 and FY18 there has been a net deferral of interest income following adoption of NZ IFRS 15; resulting in a reduction in reported NPAT.
2. Spark's Spotify and Netflix offers, along with certain cloud, security and service management revenue, move to being treated as agency arrangements with this resulting in associated costs for these offers being net off against associated operating revenue. This results in a net reduction in reported operating revenue, but no change in EBITDAI.
3. The deferral of commission costs is applied retrospectively and due to the timing and composition of Spark's prior treatment, this has resulted in a net decrease in earnings for FY17 and FY18 on adoption of NZ IFRS 15
4. Where Spark provides value added services such as Lightbox as part of a mobile or broadband plan, revenue must be allocated to each component of that offer. Spark has calculated the revised allocation of revenue to each these components, however to be consistent with how the business is managed and performance assessed, has elected to retain allocated revenue within the same product category in which revenues are currently reported. For example, revenue attributable to Lightbox as part of a bundled broadband offer will continue to be reported within broadband revenue.

FY17 and FY18 restatements

Adoption of NZ IFRS 15

Two examples[1] are provided below to illustrate impacts from adoption of the NZ IFRS 15 accounting standard

1 Shift from operating revenue to interest income for 'interest free' device sales; at a rate reflecting the credit risk of the customer

Example: Interest free device sold for $2,000 and repaid 'interest free' over a period of 24 months

	Before IFRS 15			After IFRS 15		
	Day 1	Next 24 Months	Total 24 Months	Day 1	Next 24 Months	Total 24 Months
Mobile device revenue	$2,000		$2,000	$1,700		$1,700
Mobile cost of sale	($2,000)		($2,000)	$2,000		$2,000
EBITDAI	-	-	-	**($300)**	-	**($300)**
Interest Income					$300	$300
Net profit before income tax	-	-	-	**($300)**	**$300**	-

2 Spotify and Netflix offers, along with certain cloud, security and service management revenue, move to being treated as agency arrangements

Example: $150 (excl. GST) pay-monthly mobile plan with Spotify subscription included as a value added service

	Before IFRS 15	After IFRS 15
Mobile plan revenue	$150	$100
Spotify 'revenue'	-	$25
Spotify cost	-	($20)
Net mobile service revenue	$150	$130
Mobile product costs	$20	-
EBITDAI	**$130**	**$130**
Monthly ARPU[2]	$150	$130

(1) Examples are provided for illustrative purposes only and do not reflect Spark's actual NZ IFRS 15 adjustments
(2) Mobile ARPU calculated as monthly net mobile service revenue divided by average monthly connections

FY17 and FY18 restatements

Adoption of NZ IFRS 16

NZ IFRS 16 sets out the requirements for recognition of most leases and is being early adopted by Spark from FY19 onwards

Impact on previously reported financials due to adoption of NZ IFRS 16

	FY17 $m	FY18 $m
Operating revenues and other gains	2	3
Operating expenses	70	66
EBITDAI	**72**	**69**
Depreciation and amortisation	(52)	(47)
Net investment income	-	-
Finance income	1	1
Finance expense	(33)	(31)
Net earnings before income tax	**(12)**	**(8)**
Tax expense	-	-
Net earnings after income tax	**(12)**	**(8)**
Earnings per share (cents)	(0.7)	(0.4)

	as at 30 June 2018 $m
Total assets	410
Total liabilities	(475)
Net assets	**(65)**
Retained earnings	(65)

Background

- Replaces NZ IAS 17 *Leases* and removes the distinction between operating and finance leases. Similar to the current finance lease model, this results in the recognition of "right of use" assets and related lease liability balances
- As a result, rental payments for leases previously recorded in relation to operating leases - including corporate property leases, mobile cell site leases and customer equipment leases - will move from being included in operating expenses, within EBITDAI, to depreciation and finance expenses outside of EBITDAI
- The impact on net earnings before income tax from an individual lease, over its term, is unchanged
- However the new standard results in a higher interest expense in early years, and lower interest expense in the later years of a lease when compared with the current straight-line expenses profile of operating leases; similar to a table mortgage.

Impact on Spark's externally reported financials

1. The fully retrospective application of NZ IFRS 16 restatements results in the combined depreciation and interest expense, for any lease in the early years of its cycle, being higher than the operating expenses previously recognised within Spark's externally reported financials. With Spark's long-term corporate property leases (which account for 80% of total adjustments under NZ IFRS 16) being in the early years of their lease period, both net earnings before tax and retained earnings subsequently decrease following application of NZ IFRS 16.
2. Change in the treatment of leases where Spark acts as the intermediate party (i.e. back-to-back leases)

FY17 and FY18 restatements

Change in disclosure of Spark's long-term investments

From FY19 onwards the disclosure of Spark's long-term investments will also change to align with NZ IFRS 15 and to apply appropriate focus on core operational performance

	Impact on previously reported financials due to change in disclosure of Spark's long-term investments	
	FY17 $m	FY18 $m
Operating revenues and other gains	(61)	(50)
Operating expenses	-	-
Share of associates' and JV net losses	4	3
EBITDAI	**(57)**	**(47)**
Depreciation and amortisation	-	-
Net investment income	57	47
Finance income	-	-
Finance expense	-	-
Net earnings before income tax	-	-
Tax expense	-	-
Net earnings after income tax	**-**	**-**
Earnings per share (cents)	-	-

Background

The disclosure of Spark's long-term investments has been changed to:

- Better align Spark's disclosure of operating revenue with "revenue from contracts with customers" as defined by NZ IFRS 15
- Apply more appropriate focus on the financial performance of the operational activities of the business, with returns from joint ventures and associates to be now reported separately

Impact on Spark's externally reported financials

Will not result in a change in reported net earnings however the following will move from being reported within EBITDA to now being recognised within a new 'investment income' category, reported outside of EBITDAI:

- Dividend income from Southern Cross; and
- Spark's share of associates' and joint ventures' net profits and losses

Existing FY19 guidance has already been issued inclusive of impacts from this disclosure change

FY17 and FY18 restatements

Combined impact

The resulting impact on reported FY17 and FY18 earnings is summarised below and provided in more detail in the accompanying detailed financial workbook

	Reported *excluding* impacts from new disclosures		Adoption of NZ IFRS 15 *Revenue from contracts with customers*		Adoption of NZ IFRS 16 *Leases*		Change in disclosure of Spark's long-term investments		**Restated** *including* impacts from new disclosures	
	FY17 $m	FY18 $m	FY17 $m	FY18 $m	FY17 $m	FY18 $m	FY17 $m	FY18 $m	FY17 $m	FY18 $m
Operating revenues and other gains	3,614	3,649	(50)	(69)	2	3	(61)	(50)	3,505	3,533
Operating expenses	(2,594)	(2,657)	26	39	70	66	-	-	(2,498)	(2,552)
Share of associates'	(4)	(3)	-	-	-	-	4	3	-	-
EBITDAI	**1,016**	**989**	**(24)**	**(30)**	**72**	**69**	**(57)**	**(47)**	**1,007**	**981**
Depreciation and amortisation	(430)	(434)	-	-	(52)	(47)	-	-	(482)	(481)
Net investment income	-	-	-	-	-	-	57	47	57	47
Finance income	16	16	14	18	1	1	-	-	31	35
Finance expense	(42)	(46)	-	-	(33)	(31)	-	-	(75)	(77)
Net earnings before income tax	560	525	(10)	(12)	(12)	(8)	-	-	538	505
Tax expense	(142)	(140)	-	-	-	-	-	-	(142)	(140)
Net earnings after income tax	**418**	**385**	**(10)**	**(12)**	**(12)**	**(8)**	**-**	**-**	**396**	**365**
EBITDAI Margin (%)	28.1	27.1							28.7	27.8
Earnings per share (cents)	22.8	21.0	(0.5)	(0.7)	(0.7)	(0.4)	-	-	21.6	19.9

FY19 guidance

FY19 guidance has been translated to ensure it can be appropriately compared to restated FY17 and FY18 actuals and interim and full year FY19 results

	Previous FY19 Guidance[1] Including adjustments for: New approach to disclosure of Spark's long-term investments	Impact from adoption of NZ IFRS 15	Impact from adoption of NZ IFRS 16	Translated FY19 Guidance[1] Including adjustments for: New approach to disclosure of Spark's long-term investments; and Adoption of NZ IFRS 15 and NZ IFRS 16 accounting standards
Total Revenues	**$3,600m to $3,670m** excludes projected $10-$20m Southern Cross Dividend	($75m)	$5m	**$3,530m to $3,600m** excludes projected $10-$20m Southern Cross Dividend
EBITDAI	**$1,025m to $1,055m** excludes projected $10-$20m Southern Cross dividend and profits and losses from associates' and joint ventures'	($30m)	$70m	**$1,065m to $1,095m** excludes projected $10-$20m Southern Cross dividend and profits and losses from associates' and joint ventures'
Capex [2]	**~$410m**	-	-	**~$410m**
Earnings per share	**23c to 24c**	(0.5c)	(0.5c)	**22c to 23c**
Dividend per share	**Total 25.0cps** at least 75% imputed[3]	-	-	**Total 25.0cps** at least 75% imputed[3]

[1] Guidance subject to no adverse change in operating outlook
[2] Includes purchase of property, plant and equipment and intangible assets, capacity purchases (including Southern Cross) but excludes leased customer equipment assets
[3] Likely to be made up of an ordinary dividend topped up by a special dividend to maintain a total dividend per share of 25.0c

Other reporting changes

Segment reporting

Spark has also made a number of other improvements to the structure and detail of its externally reported financials

Required changes to reflect Spark's shift to Agile and the associated cessation of Spark's previous business unit structure

Primary segment lens will move from business unit to product

In line with Spark's current reporting, product disclosures will be provided to a gross margin level, with both revenue and associated costs for each product separately noted

Consistent with current reporting practices a customer segment split of operating revenues will be provided for each product

Labour and other operating expenses will be reported at a consolidated Group level, without any product or customer segment split

Elective changes to provide greater performance insight and to improve the consistency of segmental reporting

Mobile device insurance revenue	To ensure consistency with reporting of similar products, mobile device insurance revenue has been moved from other revenue to mobile service revenue
Cloud, security and service management margin	To provide a more informed view of margins generated by cloud, security and service management an additional margin measure, identified as contribution margin, has been introduced. 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 customer services.
Procurement and partners revenue	Procurement and partners revenue updated to consistently capture revenue generated by all customer segments and subsidiaries. The resulting minor increase in procurement and partners revenue is largely due to a reclassification of revenues previously reported in cloud, security and service management.
Managed internet revenue	To provide a clearer view of broadband and managed data performance, revenues associated with managed internet services have been moved from broadband revenue to managed data revenue
Voice connections	A breakdown of voice connections by technology type has been introduced; to be more consistent with current broadband disclosures and to provide greater insight into the profile of migration onto newer digital technologies
Voice over IP (VoIP) revenue	To ensure consistency with reporting of similar products, VoIP revenue has been moved from calling revenue to voice access revenue
Voice value added services revenue	To ensure consistency with reporting of similar non-bundled products, revenues associated with voice value added services (such as messaging and other smartphone services) have been moved from calling revenue to other voice revenue
Product costs	As part of moving to product as the primary segmental lens all "other intercarrier cost of sales" and some "other operating expenses" are now directly allocated to product costs for each relevant product-set
Depreciation expense	Depreciation expenses are now split into the following categories: • Depreciation of plant, property and equipment; • Depreciation of right-of-use assets; and • Depreciation of leased customer equipment

Other reporting changes

New cashflow measure

The adoption of new accounting standards and changes to the disclosure of Spark's long-term investments do not impact reported total cashflow. However they do reduce the effectiveness of EBITDAI and NPAT as proxies for cashflow.

Therefore, Spark is introducing a new cashflow measure, that will supplement existing metrics, to:

1. Better communicate the cashflow generated by Spark;
2. Provide a measure that is not impacted by changes in accounting standards; and
3. Facilitate a clearer reconciliation of any movement in net debt to underlying business performance

Spectrum purchases are excluded from this measure - to ensure that it provides a more stable and consistent measure of underlying cash generation.

To enable reconciliation of this measure to Spark's cashflow statement, a new category will be created within Spark's cashflow statement called "payments for purchase of spectrum"

The new measure is identified as "cash from operations minus payments for leases and capital expenditure (excl. spectrum)" and will be provided as part of ongoing external financial reporting

	Reported *excluding* impacts from new disclosures FY17 $m	Reported *excluding* impacts from new disclosures FY18 $m
Cash received from customers	3,425	3,508
Interest receipts	14	15
Dividend receipts	66	50
Payments to suppliers and employees	(2,609)	(2,595)
Income tax payments	(143)	(167)
Interest payments	(36)	(37)
Cash from operations	717	777
minus		
Payments for leases	(8)	(8)
Payments for purchase of property, plant, equipment & intangibles (excl. spectrum)[1]	(398)	(414)
Cash from operations minus payments for leases and capital expenditure (excl. spectrum)[2]	**311**	**355**

(1) No spectrum purchases were made in either FY17 or FY18
(2) Overall cash from operations minus payments for leases and capital expenditure (excl. spectrum) is not impacted by new disclosures

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, 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 - reported

	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	 %
Operating revenues and other gains	1,738	1,767	1,761	1,772	3,505	3,533	28	0.8%
Operating expenses	(1,273)	(1,225)	(1,305)	(1,247)	(2,498)	(2,552)	(54)	2.2%
EBITDAI	**465**	**542**	**456**	**525**	**1,007**	**981**	**(26)**	**(2.6%)**
Depreciation and amortisation expense	(242)	(240)	(237)	(244)	(482)	(481)	1	(0.2%)
Net investment income	33	24	27	20	57	47	(10)	(17.5%)
Finance income	16	15	16	19	31	35	4	12.9%
Finance expense	(37)	(38)	(37)	(40)	(75)	(77)	(2)	2.7%
Net earnings before income tax	**235**	**303**	**225**	**280**	**538**	**505**	**(33)**	**(6.1%)**
Tax expense	(65)	(77)	(63)	(77)	(142)	(140)	2	(1.4%)
Net earnings for the period	**170**	**226**	**162**	**203**	**396**	**365**	**(31)**	**(7.8%)**
Capital expenditure	224	191	262	151	415	413	-2	(0.5%)
Cash from operations minus payments for leases and capital expenditure (excl. spectrum)	85	226	165	190	311	355	44	14.1%
Reported EBITDAI margin	26.8%	30.7%	25.9%	29.6%	28.7%	27.8%	(1.0%)	(3.4%)
Reported effective tax rate	27.7%	25.4%	28.0%	27.5%	26.4%	27.7%	1.3%	5.0%
Capital expenditure to operating revenues	12.9%	10.8%	14.9%	8.5%	11.8%	11.7%	(0.2%)	(1.3%)
Reported earnings per share	9.29	12.35	8.85	11.08	21.64	19.93	-1.71	(7.9%)

Group result - adjusted

Spark presents adjusted EBITDAI and adjusted net earnings when the year includes significant items greater than $25 million. FY18 included $49 million of costs of change and adjusted EBITDAI and adjusted net earnings for the year were as follows:

	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	 %
Operating revenues and other gains	1,738	1,767	1,761	1,772	3,505	3,533	28	0.8%
Adjusted operating expenses	(1,273)	(1,225)	(1,292)	(1,211)	(2,498)	(2,503)	(5)	0.2%
Adjusted EBITDAI	**465**	**542**	**469**	**561**	**1,007**	**1,030**	**23**	**2.3%**
Depreciation and amortisation expense	(242)	(240)	(237)	(244)	(482)	(481)	1	(0.2%)
Net investment income	33	24	27	20	57	47	(10)	(17.5%)
Finance income	16	15	16	19	31	35	4	12.9%
Finance expense	(37)	(38)	(37)	(40)	(75)	(77)	(2)	2.7%
Adjusted net earnings before income tax	**235**	**303**	**238**	**316**	**538**	**554**	**16**	**3.0%**
Adjusted tax expense	(65)	(77)	(67)	(87)	(142)	(154)	(12)	8.5%
Adjusted net earnings for the period	**170**	**226**	**171**	**229**	**396**	**400**	**4**	**1.0%**

The tax effect on costs of change in H1 FY18 is $4m and in H2 FY18 is $10m. There were no adjusting items in FY17.

	H1 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement $m	Movement %
Adjusted EBITDAI margin	26.8%	30.7%	26.6%	31.7%	28.7%	29.2%	0.4%	1.5%
Adjusted effective tax rate	27.7%	25.4%	28.2%	27.5%	26.4%	27.8%	1.4%	4.9%
Adjusted earnings per share	9.29	12.35	9.34	12.50	21.64	21.84	0.20	0.9%

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Gross margin by product

	H1 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement	
	$m	$m	$m	$m	$m	$m	$m	%
Mobile	341	363	356	376	704	732	28	4.0%
Voice	221	204	189	180	425	369	(56)	(13.2%)
Broadband	146	152	158	157	298	315	17	5.7%
Cloud, security and service management	129	144	152	163	273	315	42	15.4%
Procurement and partners	22	23	17	23	45	40	(5)	(11.1%)
Managed data and networks	62	63	54	57	125	111	(14)	(11.2%)
Other	22	51	25	34	73	59	(14)	(19.2%)
Total Spark Group	**943**	**1,000**	**951**	**990**	**1,943**	**1,941**	**(2)**	**(0.1%)**

Connections

	H1 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement	
	000's	000's	000's	000's	000's	000's	000's	%
Mobile connections	2,353	2,392	2,437	2,458	2,392	2,458	66	2.8%
Voice connections by type [1]								
POTS & ISDN	629	567	491	400	567	400	(167)	(29.5%)
VoIP	41	44	47	52	44	52	8	18.2%
Voice over LTE	-	11	14	14	11	14	3	27.3%
	670	622	552	466	622	466	(156)	(25.1%)
Broadband connections								
Copper	497	431	384	346	431	346	(85)	(19.7%)
Fibre	138	172	206	238	172	238	66	38.4%
Wireless	40	84	104	116	84	116	32	38.1%
	675	687	694	700	687	700	13	1.9%

[1] 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).

Group FTE's

	H1 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement #	%
FTE permanent	5,664	5,554	5,384	5,266	5,554	5,266	(288)	(5.2%)
FTE contractors	279	220	230	241	220	241	21	9.5%
Total FTE	5,943	5,774	5,614	5,507	5,774	5,507	(267)	(4.6%)

Dividends

	H1 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement $	%
Ordinary dividends (cents per share)	11.00	11.00	11.00	11.00	22.00	22.00	-	-%
Special dividends (cents per share)	1.50	1.50	1.50	1.50	3.00	3.00	-	-%
	12.50	12.50	12.50	12.50	25.00	25.00	-	-%

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Group operating revenues and other gains

	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Operating revenues								
Mobile								
Service revenue	379	393	395	400	772	795	23	3.0%
Other mobile revenue	197	198	218	224	395	442	47	11.9%
	576	591	613	624	1,167	1,237	70	6.0%
Voice								
Access	160	149	136	124	309	260	(49)	(15.9%)
Calling	112	105	98	95	217	193	(24)	(11.1%)
Videoconferencing	28	28	26	29	56	55	(1)	(1.8%)
Other voice revenue	39	36	33	32	75	65	(10)	(13.3%)
	339	318	293	280	657	573	(84)	(12.8%)
Broadband	337	336	331	334	673	665	(8)	(1.2%)
Cloud, security and service management	150	166	179	191	316	370	54	17.1%
Procurement and partners	178	173	184	173	351	357	6	1.7%
Managed data and networks	112	113	104	103	225	207	(18)	(8.0%)
Other operating revenue	46	50	57	57	96	114	18	18.8%
Total operating revenues	**1,738**	**1,747**	**1,761**	**1,762**	**3,485**	**3,523**	**38**	**1.1%**
Other gains	-	20	-	10	20	10	(10)	(50.0%)
Total operating revenues and other gains	**1,738**	**1,767**	**1,761**	**1,772**	**3,505**	**3,533**	**28**	**0.8%**

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

Operating revenues and other gains by customer segment

Operating revenues and other gains	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Consumer	787	780	786	787	1,567	1,573	6	0.4%
Business	835	850	866	866	1,685	1,732	47	2.8%
Wholesale and other	135	157	128	142	292	270	(22)	(7.5%)
Eliminations	(19)	(20)	(19)	(23)	(39)	(42)	(3)	7.7%
	1,738	1,767	1,761	1,772	3,505	3,533	28	0.8%

Net investment income

Net investment income	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Dividend income	35	26	28	22	61	50	(11)	(18.0%)
Share of associates' and joint ventures' net losses	(2)	(2)	(1)	(2)	(4)	(3)	1	(25.0%)
	33	24	27	20	57	47	(10)	(17.5%)

Finance income

Finance income	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Finance lease interest income	8	7	7	7	15	14	(1)	(6.7%)
Other interest income	8	8	9	12	16	21	5	31.3%
	16	15	16	19	31	35	4	12.9%

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Revenue classification changes

As part of the adoption of the Agile business model, the management of certain product 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:

Product name	Services provided	Previous category	New category
Cellphone insurance	Insurance coverage for accidental loss or damage to purchased Mobile devices	Other operating revenue	Mobile service revenue
VoIP revenue	Provision of voice services over internet based connection	Voice calling revenue	Voice access revenue
Value value added voice services	Additional services over a voice line such as call diversion, caller identification and other smartphone services	Voice calling revenue	Other voice revenue
Managed internet	Provision of internet services for a managed data network	Broadband revenue	Managed data revenue

Additionally, the split of revenues between cloud, security and service management and procurement and partners has also been reviewed. The majority of reallocation relates to the treatment of revenue from subsidiaries.

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Group operating expenses

	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Product costs								
Mobile	235	228	257	248	463	505	42	9.1%
Voice	118	114	104	100	232	204	(28)	(12.1%)
Broadband	191	184	173	177	375	350	(25)	(6.7%)
Cloud, security and service management	21	22	27	28	43	55	12	27.9%
Procurement and partners	156	150	167	150	306	317	11	3.6%
Managed data and networks	50	50	50	46	100	96	(4)	(4.0%)
Other product costs	24	19	32	33	43	65	22	51.2%
	795	767	810	782	1,562	1,592	30	1.9%
Labour	278	272	276	237	550	513	(37)	(6.7%)
Other operating expenses								
Network support costs	31	29	31	31	60	62	2	3.3%
Computer costs	40	42	41	43	82	84	2	2.4%
Accommodation costs	26	25	32	29	51	61	10	19.6%
Advertising, promotions and communication	41	28	51	33	69	84	15	21.7%
Bad debts	9	9	7	9	18	16	(2)	(11.1%)
Impairment expense	2	-	1	6	2	7	5	NM
Costs of change	-	-	13	36	-	49	49	NM
Other	51	53	43	41	104	84	(20)	(19.2%)
	200	186	219	228	386	447	61	15.8%
Total operating expenses	**1,273**	**1,225**	**1,305**	**1,247**	**2,498**	**2,552**	**54**	**2.2%**
Depreciation and amortisation expense								
Depreciation - property, plant and equipment	122	128	129	134	250	263	13	5.2%
Depreciation - right-of-use assets	19	17	15	16	36	31	(5)	(13.9%)
Depreciation - leased customer equipment assets	8	8	8	8	16	16	-	-%
Amortisation of intangibles	93	87	85	86	180	171	(9)	(5.0%)
	242	240	237	244	482	481	(1)	(0.2%)
Finance expense								
Finance expense on long-term debt	21	23	25	28	44	53	9	20.5%
Capitalised interest	(2)	(3)	(4)	(4)	(5)	(8)	(3)	60.0%
Lease interest expense	16	16	15	14	32	29	(3)	(9.4%)
Leased customer equipment interest expense	2	2	1	2	4	3	(1)	(25.0%)
	37	38	37	40	75	77	2	2.7%

Adjusted operating expenses

	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Total operating expenses	1,273	1,225	1,305	1,247	2,498	2,552	54	2.2%
Less: costs of change	-	-	(13)	(36)	-	(49)	(49)	NM
Adjusted operating expenses	1,273	1,225	1,292	1,211	2,498	2,503	5	0.2%

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Analysis & KPI's - Mobile

Mobile revenue by type (Consumer and Business)	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Mobile service revenue	372	385	388	395	757	783	26	3.4%
Other mobile revenue [1]	189	187	208	210	376	418	42	11.2%
	561	572	596	605	1,133	1,201	68	6.0%
Wholesale and other mobile revenue[2]	15	19	17	19	34	36	2	5.9%
Total mobile revenue	**576**	**591**	**613**	**624**	**1,167**	**1,237**	**70**	**6.0%**
Mobile product costs[3]	(235)	(228)	(257)	(248)	(463)	(505)	(42)	9.1%
Mobile gross margin	**341**	**363**	**356**	**376**	**704**	**732**	**28**	**4.0%**
Mobile gross margin %	59.2%	61.4%	58.1%	60.3%	60.3%	59.2%	(1.2%)	(1.9%)

Total mobile revenue by customer segment	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Consumer	369	378	397	409	747	806	59	7.9%
Business	192	194	199	196	386	395	9	2.3%
Wholesale and other	15	19	17	19	34	36	2	5.9%
	576	**591**	**613**	**624**	**1,167**	**1,237**	**70**	**6.0%**

Average revenue per user (ARPU) - 6 month active Consumer and Business	H1 FY17 $ per month	H2 FY17 $ per month	H1 FY18 $ per month	H2 FY18 $ per month	FY17 $ per month	FY18 $ per month	Movement $ per month	%
Total ARPU	27.45	27.27	27.58	27.25	27.36	27.41	0.05	0.2%
Pay-monthly ARPU	45.05	45.02	44.29	43.31	45.03	43.79	-1.24	(2.7%)
Prepaid ARPU	11.65	11.75	12.20	12.13	11.70	12.17	0.47	4.0%

Number of mobile connections at period end - 6 month active - Consumer and Business	H1 FY17 000's	H2 FY17 000's	H1 FY18 000's	H2 FY18 000's	FY17 000's	FY18 000's	Movement 000's	%
Pay-monthly connections	1,085	1,108	1,158	1,189	1,108	1,189	81	7.3%
Prepaid connections	1,231	1,248	1,245	1,236	1,248	1,236	-12	(1.0%)
Internal connections	4	4	4	4	4	4	0	-%
Total mobile connections	2,320	2,360	2,407	2,429	2,360	2,429	69	2.9%

[1] Other mobile revenue includes handset sales and mobile interconnect.

[2] Includes MVNO revenue.

[3] Includes handset, interconnect and cellphone tower access costs.

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Analysis & KPI's - Voice

Voice revenue by type	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Access	160	149	136	124	309	260	(49)	(15.9%)
Calling	112	105	98	95	217	193	(24)	(11.1%)
Videoconferencing	28	28	26	29	56	55	(1)	(1.8%)
Other voice revenue	39	36	33	32	75	65	(10)	(13.3%)
Total voice revenue	339	318	293	280	657	573	(84)	(12.8%)
Voice product costs[1]	(118)	(114)	(104)	(100)	(232)	(204)	28	(12.1%)
Voice gross margin	**221**	**204**	**189**	**180**	**425**	**369**	**(56)**	**(13.2%)**
Voice gross margin %	65.2%	64.2%	64.5%	64.3%	64.7%	64.4%	(0.3%)	(0.4%)

Voice connections by type	H1 FY17 000's	H2 FY17 000's	H1 FY18 000's	H2 FY18 000's	FY17 000's	FY18 000's	Movement 000's	%
POTS and ISDN	629	567	491	400	567	400	(167)	(29.5%)
VoIP	41	44	47	52	44	52	8	18.2%
Voice over LTE	-	11	14	14	11	14	3	27.3%
Total voice connections	670	622	552	466	622	466	(156)	(25.1%)

Voice connections by customer segment	H1 FY17 000's	H2 FY17 000's	H1 FY18 000's	H2 FY18 000's	FY17 000's	FY18 000's	Movement 000's	%
Consumer	124	124	118	108	124	108	(16)	(12.9%)
Business	211	198	185	180	198	180	(18)	(9.1%)
Wholesale and other	335	300	249	178	300	178	(122)	(40.7%)
Total voice connections	670	622	552	466	622	466	(156)	(25.1%)

[1] Includes voice access (baseband), interconnect, international calling and videoconferencing platform costs.

Analysis & KPI's - Broadband

	H1 FY17 $m	H2 FY17 $m	H1 FY18 $m	H2 FY18 $m	FY17 $m	FY18 $m	Movement $m	%
Total broadband revenue	337	336	331	334	673	665	(8)	(1.2%)
Broadband product costs[2]	(191)	(184)	(173)	(177)	(375)	(350)	25	(6.7%)
Broadband gross margin	**146**	**152**	**158**	**157**	**298**	**315**	**17**	**5.7%**
Broadband gross margin %	43.3%	45.2%	47.7%	47.0%	44.3%	47.4%	3.1%	7.0%

Broadband connections by technology	H1 FY17 000's	H2 FY17 000's	H1 FY18 000's	H2 FY18 000's	FY17 000's	FY18 000's	Movement 000's	%
Copper	497	431	384	346	431	346	(85)	(19.7%)
Fibre	138	172	206	238	172	238	66	38.4%
Wireless	40	84	104	116	84	116	32	38.1%
Total broadband connections	675	687	694	700	687	700	13	1.9%

Broadband connections by segment	H1 FY17 000's	H2 FY17 000's	H1 FY18 000's	H2 FY18 000's	FY17 000's	FY18 000's	Movement 000's	%
Consumer	589	597	601	604	597	604	7	1.2%
Business	86	90	92	95	90	95	5	5.6%
Wholesale and other	-	-	1	1	-	1	1	NM
Total broadband connections	675	687	694	700	687	700	13	1.9%

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

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

	H1 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement	
	$m	$m	$m	$m	$m	$m	$m	%
Cloud, Security and Service managegement revenue	150	166	179	191	316	370	54	17.1%
Cloud, Security and Service management product costs	(21)	(22)	(27)	(28)	(43)	(55)	(12)	27.9%
Cloud, Security and Service management gross margin	**129**	**144**	**152**	**163**	**273**	**315**	**42**	**15.4%**
Cloud, Security and Service management gross margin %	86.0%	86.7%	84.9%	85.3%	86.4%	85.1%	(1.3%)	(1.5%)
Contribution margin (approximated) %[1]	34.0%	44.6%	36.9%	46.6%	39.6%	41.9%	2.3%	5.9%

[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 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement	
	$m	$m	$m	$m	$m	$m	$m	%
Procurement and partners revenue	178	173	184	173	351	357	6	1.7%
Procurement and partners product costs	(156)	(150)	(167)	(150)	(306)	(317)	(11)	3.6%
Procurement and partners gross margin	**22**	**23**	**17**	**23**	**45**	**40**	**(5)**	**(11.1%)**
	12.4%	13.3%	9.2%	13.3%	12.8%	11.2%	(1.6%)	(12.6%)

Analysis & KPI's - Managed data and networks

	H1 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement	
	$m	$m	$m	$m	$m	$m	$m	%
Managed data and networks revenue	112	113	104	103	225	207	(18)	(8.0%)
Managed data and networks product costs[2]	(50)	(50)	(50)	(46)	(100)	(96)	4	(4.0%)
Managed data and networks gross margin	**62**	**63**	**54**	**57**	**125**	**111**	**(14)**	**(11.2%)**
	55.4%	55.8%	51.9%	55.3%	55.6%	53.6%	(1.9%)	(3.5%)

[2] Includes wide area network access, international data and network backhaul costs.

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Group capital expenditure

	H1 FY17	H2 FY17	H1 FY18	H2 FY18	FY17	FY18	Movement	
	$m	$m	$m	$m	$m	$m	$m	%
Cloud	22	20	19	20	42	39	(3)	(7.1%)
Converged Communications Network (CCN)	3	12	17	15	15	32	17	NM
International cable construction and capacity purchases	14	20	14	-	34	14	(20)	(58.8%)
IT systems	60	52	64	49	112	113	1	0.9%
Mobile network	69	33	89	26	102	115	13	12.7%
Plant, network and core sustain and resiliency	36	31	38	24	67	62	(5)	(7.5%)
Other	20	23	21	17	43	38	(5)	(11.6%)
Total capital expenditure	**224**	**191**	**262**	**151**	**415**	**413**	**(2)**	**(0.5%)**

Capital expenditure is presented on an accruals basis, and includes purchase of property, plant and equipment and intangible assets,