



Interim Financial Statements
for the six months ended 31 December 2019



INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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These interim financial statements do not include all the notes and information normally included in the annual financial statements. Accordingly, they should be read in conjunction with the annual financial statements for the year ended 30 June 2019.

Statement of profit or loss and other comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER

| | | 2019 | 2018 |
|--|------|------------------|------------------|
| | NOTE | UNAUDITED \$M | UNAUDITED \$M |
| Operating revenues and other gains | | 1,824 | 1,754 |
| Operating expenses | | (1,324) | (1,265) |
| Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) | | 500 | 489 |
| Finance income | | 18 | 18 |
| Finance expense | | (46) | (40) |
| Depreciation and amortisation | | (234) | (245) |
| Net investment income | | (1) | - |
| Net earnings before income tax | 3 | 237 | 222 |
| Income tax expense | | (70) | (69) |
| Net earnings for the period | | 167 | 153 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Revaluation of long-term investments designated at fair value through other comprehensive income | | 13 | 87 |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Cash flow hedges net of tax | | 1 | (18) |
| Other comprehensive income for the period | | 14 | 69 |
| Total comprehensive income for the period | | 181 | 222 |
| Earnings per share | | | |
| Basic and diluted earnings per share (cents) | | 9.1 | 8.3 |
| Weighted average ordinary shares (millions) | | 1,837 | 1,836 |
| Weighted average ordinary shares and options (millions) | | 1,838 | 1,836 |

See accompanying notes to the interim financial statements.

Statement of financial position

| | | AS AT 31 DECEMBER 2019 UNAUDITED \$M | AS AT 30 JUNE 2019 AUDITED \$M |
|--|-------|--|--|
| | NOTES | | |
| Current assets | | | |
| Cash | | 54 | 54 |
| Short-term receivables and prepayments | | 768 | 755 |
| Short-term derivative assets | | - | 2 |
| Inventories | | 127 | 100 |
| Assets classified as held for sale | 2 | 28 | - |
| Total current assets | | 977 | 911 |
| Non-current assets | | | |
| Long-term receivables and prepayments | | 297 | 291 |
| Long-term derivative assets | | 28 | 32 |
| Long-term investments | 5 | 225 | 182 |
| Right-of-use assets | | 625 | 625 |
| Leased customer equipment assets | | 72 | 55 |
| Property, plant and equipment | | 1,037 | 1,012 |
| Intangible assets | | 1,015 | 987 |
| Total non-current assets | | 3,299 | 3,184 |
| Total assets | | 4,276 | 4,095 |
| Current liabilities | | | |
| Short-term payables, accruals and provisions | | 440 | 447 |
| Taxation payable | | 9 | 19 |
| Short-term derivative liabilities | | 19 | 14 |
| Short-term lease liabilities | | 32 | 31 |
| Debt due within one year | 6 | 424 | 433 |
| Liabilities classified as held for sale | 2 | 3 | - |
| Total current liabilities | | 927 | 944 |
| Non-current liabilities | | | |
| Long-term payables, accruals and provisions | | 92 | 68 |
| Long-term derivative liabilities | | 118 | 111 |
| Long-term lease liabilities | | 468 | 459 |
| Long-term debt | 6 | 1,164 | 962 |
| Deferred tax liabilities | | 87 | 86 |
| Total non-current liabilities | | 1,929 | 1,686 |
| Total liabilities | | 2,856 | 2,630 |
| Equity | | | |
| Share capital | | 949 | 945 |
| Reserves | | (396) | (409) |
| Retained earnings | | 867 | 929 |
| Total equity | | 1,420 | 1,465 |
| Total liabilities and equity | | 4,276 | 4,095 |

See accompanying notes to the interim financial statements.

On behalf of the Board



Justine Smyth, Chair

Authorised for issue on 19 February 2020



Jolie Hodson, Chief Executive

Statement of changes in equity

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

| SIX MONTHS ENDED 31 DECEMBER 2018 UNAUDITED | SHARE CAPITAL \$M | RETAINED EARNINGS \$M | HEDGE RESERVE \$M | SHARE- BASED COMPEN- SATION RESERVE \$M | RE- VALUATION RESERVE \$M | FOREIGN CURRENCY TRANSLATION RESERVE \$M | TOTAL \$M |
|---|-------------------------|-----------------------------|-------------------------|--|------------------------------------|--|--------------|
| Balance at 1 July 2018 | 941 | 979 | (26) | 2 | (390) | (23) | 1,483 |
| Net earnings for the period | - | 153 | - | - | - | - | 153 |
| Other comprehensive income/(loss) | - | - | (18) | - | 87 | - | 69 |
| Total comprehensive income/(loss) for the period | - | 153 | (18) | - | 87 | - | 222 |
| Contributions by, and distributions to, owners: | | | | | | | |
| Dividends | - | (229) | - | - | - | - | (229) |
| Supplementary dividends | - | (21) | - | - | - | - | (21) |
| Tax credit on supplementary dividends | - | 21 | - | - | - | - | 21 |
| Issuance of shares under share schemes | 1 | - | - | (1) | - | - | - |
| Total transactions with owners | 1 | (229) | - | (1) | - | - | (229) |
| Balance at 31 December 2018 | 942 | 903 | (44) | 1 | (303) | (23) | 1,476 |

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

| | NOTE | 2019 UNAUDITED \$M | 2018 UNAUDITED \$M |
|--|------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,861 | 1,770 |
| Receipts from interest | | 17 | 18 |
| Payments to suppliers and employees | | (1,396) | (1,314) |
| Payments for income tax | | (82) | (44) |
| Payments for interest on debt | | (26) | (22) |
| Payments for interest on leases | | (14) | (13) |
| Payments for interest on leased customer equipment assets | | (3) | (2) |
| Net cash flows from operating activities | 7 | 357 | 393 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 13 | - |
| Payments for purchase of business | | (11) | - |
| Payments for, and advances to, long-term investments | | (30) | (6) |
| Payments for purchase of property, plant and equipment, intangibles and capacity | | (273) | (258) |
| Payments for capitalised interest | | (4) | (3) |
| Net cash flows from investing activities | | (305) | (267) |
| Cash flows from financing activities | | | |
| Net proceeds from debt | | 207 | 182 |
| Receipts from finance leases | | 2 | 3 |
| Payments for dividends | | (229) | (229) |
| Payments for leases | | (19) | (19) |
| Payments for leased customer equipment assets | | (13) | (8) |
| Net cash flows from financing activities | | (52) | (71) |
| Net cash flow | | - | 55 |
| Opening cash position | | 54 | 55 |
| Closing cash position | | 54 | 110 |

See accompanying notes to the interim financial statements.

Notes to the interim financial statements

NOTE 1 About this report

Reporting entity

These unaudited interim financial statements are for Spark New Zealand Limited (the 'Company') and its subsidiaries (together 'Spark' or 'the Group') for the six months ended 31 December 2019.

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

Basis of preparation

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

The accounting policies adopted are consistent with those followed in the preparation of Spark's annual financial statements for the year ended 30 June 2019. The preparation of the interim financial statements requires management to

make estimates and assumptions. Spark has been consistent in applying the estimates and assumptions adopted in the annual financial statements for the year ended 30 June 2019 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2019.

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

At 31 December 2019, capital expenditure amounting to \$249 million (31 December 2018: \$161 million) had been committed under contractual arrangements.

Notes to the interim financial statements

NOTE 2 Significant transactions and events for the current period

The following significant transactions and events affected the financial performance and financial position of Spark for the six month period to 31 December 2019:

Debt programme

- On 18 September 2019 Spark issued A\$125 million of unsecured fixed rate bonds with a coupon rate of 2.60%, maturing on 18 March 2030.
- On 25 October 2019 \$250 million of unsecured fixed rate bonds with a coupon rate of 5.25% matured.

Capital expenditure

- Spark's additions to property, plant and equipment and intangible assets were \$247 million, details of which are available in a separate detailed financials file on the investor section of our website at: investors.sparknz.co.nz/investor-centre.

Dividends

- Dividends paid during the six month period ended 31 December 2019 in relation to the H2 FY19 second-half dividend (ordinary dividend of 11 cents per share and special dividend of 1.5 cents per share) totalled \$229 million or 12.5 cents per share.

Acquisitions

- On 5 September 2019 Spark's subsidiary Qrious Limited completed the acquisition of NOW Consulting, the New Zealand-based data consulting division of WhereScape Software, which gives Qrious a unique data and analytics offering in the New Zealand market.

Southern Cross NEXT cable

- On 1 October 2019 Spark announced that agreements had been signed for the build of the Southern Cross NEXT undersea data cable (SX NEXT). SX NEXT has been developed as an extension of the existing Southern Cross Cable Network (Southern Cross) and when completed is expected to be the lowest latency path from Australia and New Zealand to the

United States. The transaction completed on 3 October 2019 and the build of SX NEXT has commenced.

- The transaction has resulted in Telstra becoming a 25% shareholder of the Southern Cross and an anchor customer of SX NEXT. As a consequence of Telstra becoming a shareholder, Spark's shareholding in Southern Cross will be diluted from 50% to approximately 40%.
- Spark expects to contribute a total of between \$70 million and \$90 million of equity across FY20, FY21 and FY22, depending on the level of SX NEXT pre-sales that are secured.
- No dividends were received from Southern Cross during the period. Dividend receipts from Southern Cross are expected to resume from FY22.

Assets held for sale

- On 19 December 2019 Spark announced it had entered into a conditional agreement to sell its entertainment streaming business Lightbox New Zealand Limited (Lightbox) to Sky Network Television Limited. The assets and liabilities of Lightbox have been reclassified as held for sale in the statement of financial position as at 31 December 2019. The transaction completed on 31 January 2020.
- On 5 December 2019 Computer Concepts Limited (CCL), Spark's wholly owned provider of cloud and ICT services, signed a conditional agreement to divest the operational parts of its network services division (which are duplicated elsewhere in the group) in a buy-out by a member of the CCL management team. The assets and liabilities of CCL's network services division have been reclassified as held for sale in the statement of financial position as at 31 December 2019. The transaction completed on 31 January 2020.

Notes to the interim financial statements

NOTE 3 Segment information

The segment results disclosed are based on those reported to the Chief Executive and are how Spark reviews its performance. Spark's segment results are measured based on product margin which includes product operating revenues and direct product costs. The segment result excludes labour, operating expenses, depreciation and amortisation, net investment income, finance income and expense and income tax expense as these are assessed at an overall Spark Group level by the Chief Executive.

Comparative segment results

Spark has reclassified the comparative segment results to reflect minor changes in the management of videoconferencing and other collaboration services from voice to other managed services.

| FOR THE SIX MONTHS ENDED 31 DECEMBER | 2019 | | | 2018 | | |
|---|-----------------------|------------------|-------------------|-----------------------|------------------|-------------------|
| | OPERATING REVENUES | PRODUCT COSTS | PRODUCT MARGIN | OPERATING REVENUES | PRODUCT COSTS | PRODUCT MARGIN |
| | \$M | \$M | \$M | \$M | \$M | \$M |
| UNAUDITED | | | | | | |
| Mobile | 653 | (248) | 405 | 622 | (246) | 376 |
| Voice | 199 | (75) | 124 | 225 | (82) | 143 |
| Broadband | 345 | (170) | 175 | 344 | (176) | 168 |
| Cloud, security and service management | 219 | (43) | 176 | 195 | (32) | 163 |
| Procurement and partners | 208 | (187) | 21 | 191 | (173) | 18 |
| Other managed services | 121 | (56) | 65 | 121 | (55) | 66 |
| Other | 75 | (60) | 15 | 56 | (31) | 25 |
| Segment result | 1,820 | (839) | 981 | 1,754 | (795) | 959 |

Notes to the interim financial statements

NOTE 3 Segment information (continued)

Reconciliation from segment result to consolidated net earnings before income tax

| SIX MONTHS ENDED 31 DECEMBER | 2019 | 2018 |
|--|------------|------------|
| UNAUDITED | \$M | \$M |
| Segment product margin | 981 | 959 |
| Other gains | 4 | - |
| Labour | (267) | (250) |
| Other operating expenses | | |
| Network support costs | (35) | (37) |
| Computer costs | (49) | (46) |
| Accommodation costs | (33) | (37) |
| Advertising, promotions and communication | (47) | (47) |
| Bad debts | (7) | (6) |
| Impairment expense | - | (5) |
| Other | (47) | (42) |
| Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) | 500 | 489 |
| Finance income | | |
| Finance lease interest income | 7 | 7 |
| Other interest income | 11 | 11 |
| Finance expense | | |
| Finance expense on long-term debt | (31) | (27) |
| Capitalised interest | 4 | 4 |
| Other interest and finance expenses | (1) | - |
| Lease interest expense | (15) | (15) |
| Leased customer equipment interest expense | (3) | (2) |
| Depreciation and amortisation expense | | |
| Depreciation - property, plant and equipment | (119) | (128) |
| Depreciation - right-of-use assets | (28) | (25) |
| Depreciation - leased customer equipment assets | (15) | (9) |
| Amortisation of intangibles | (72) | (83) |
| Net investment income | | |
| Share of associates' and joint ventures' net losses | (1) | - |
| Net earnings before income tax | 237 | 222 |

Notes to the interim financial statements

NOTE 4 Non-GAAP measures

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

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

expenses and impairments) greater than \$25 million. There are no adjusting items for the six months ended 31 December 2019 or 31 December 2018.

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

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

| SIX MONTHS ENDED 31 DECEMBER | 2019 | 2018 |
|--|------------|------------|
| UNAUDITED | \$M | \$M |
| Net earnings for the period reported under NZ IFRS | 167 | 153 |
| Less: finance income | (18) | (18) |
| Add back: finance expense | 46 | 40 |
| Add back: depreciation and amortisation | 234 | 245 |
| Add back: net investment income | 1 | - |
| Add back: income tax expense | 70 | 69 |
| EBITDAI | 500 | 489 |

Notes to the interim financial statements

NOTE 5 Long-term investments

| | AS AT | AS AT |
|---|-------------|------------|
| | 31 DECEMBER | 30 JUNE |
| | 2019 | 2019 |
| | UNAUDITED | AUDITED |
| | \$M | \$M |
| Shares in Hutchison | 169 | 156 |
| Investment in associates and joint ventures | 48 | 21 |
| Other long-term investments | 8 | 5 |
| | 225 | 182 |

Spark holds a 10% interest in Hutchison Telecommunications Australia Limited (Hutchison) which is quoted on the Australian Securities Exchange (ASX) and measures its fair value using its observable market share price as quoted on the ASX, classified as being within level 1 of the fair value hierarchy. As at 31 December 2019 the quoted price of Hutchison's shares on the ASX was A\$0.120 (30 June 2019: A\$0.110). The change in fair value is recognised in other comprehensive income.

Subsequent to balance date, on 13 February 2020, the Federal Court of Australia ruled to allow the proposed merger between Vodafone Hutchison Australia Pty Limited and TPG Telecom Limited. The quoted price of Spark's investment in Hutchison (a shareholder of Vodafone Hutchison Australia Pty Limited) increased materially following this announcement and on 17 February 2020 was A\$0.152. The fair value of Spark's investment in Hutchison based on this price would be \$215 million, an increase of \$46 million from 31 December 2019.

Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 31 December 2019 consists of the following:

| NAME | TYPE | COUNTRY | OWNERSHIP | PRINCIPAL ACTIVITY |
|--|---------------|---------------|-----------|--------------------------------|
| Connect 8 Limited | Joint Venture | New Zealand | 50% | Fibre network construction |
| Lightbox Sport General Partner Limited | Joint Venture | New Zealand | 50% | A holding company |
| NOW New Zealand Limited | Associate | New Zealand | 37% | Internet service provider |
| Pacific Carriage Holdings Limited | Associate | Bermuda | 38% | A holding company |
| Pacific Carriage Holdings Limited Inc | Associate | United States | 35% | A holding company |
| PropertyNZ Limited (homes.co.nz) | Associate | New Zealand | 23% | Property data website |
| Rural Connectivity Group Limited | Joint Venture | New Zealand | 33% | Rural broadband |
| Southern Cross Cables Holdings Limited | Associate | Bermuda | 35% | A holding company |
| TNAS Limited | Joint Venture | New Zealand | 50% | Telecommunications development |

Notes to the interim financial statements

NOTE 6 Debt

| FACE VALUE | FACILITY | COUPON RATE | MATURITY | AS AT | AS AT |
|---|-----------------|-------------|------------|--------------|--------------|
| | | | | 31 DECEMBER | 30 JUNE |
| | | | | 2019 | 2019 |
| | | | | UNAUDITED | AUDITED |
| | | | | \$M | \$M |
| Short-term debt | | | | | |
| Short-term borrowings | | Variable | < 1 month | 41 | - |
| Commercial paper | | Variable | < 4 months | 199 | 150 |
| | | | | 240 | 150 |
| Bank funding | | | | | |
| Westpac New Zealand Limited | 200 million NZD | Variable | 30/11/2020 | 150 | - |
| The Hongkong and Shanghai Banking Corporation Limited | 100 million NZD | Variable | 30/11/2021 | 100 | 40 |
| MUFG Bank, Ltd | 125 million NZD | Variable | 30/11/2022 | 125 | 100 |
| | | | | 375 | 140 |
| Domestic notes | | | | | |
| 250 million NZD | | 5.25% | 25/10/2019 | - | 250 |
| 100 million NZD | | 4.50% | 25/03/2022 | 102 | 103 |
| 100 million NZD | | 4.51% | 10/03/2023 | 106 | 107 |
| 125 million NZD | | 3.37% | 07/03/2024 | 130 | 130 |
| 125 million NZD | | 3.94% | 07/09/2026 | 131 | 131 |
| | | | | 469 | 721 |
| Foreign currency Medium Term Notes | | | | | |
| Euro Medium Term Notes - 18 million GBP | | 5.75% | 06/04/2020 | 34 | 33 |
| Australian Medium Term Notes - 150 million AUD | | 4.00% | 20/10/2027 | 172 | 173 |
| Norwegian Medium Term Notes - 1 billion NOK | | 3.07% | 19/03/2029 | 169 | 178 |
| Australian Medium Term Notes - 125 million AUD | | 2.60% | 18/03/2030 | 129 | - |
| | | | | 504 | 384 |
| | | | | 1,588 | 1,395 |
| Debt due within one year | | | | 424 | 433 |
| Long-term debt | | | | 1,164 | 962 |

On 18 September 2019 Spark issued A\$125 million of unsecured fixed rate bonds with a coupon rate of 2.60%, maturing on 18 March 2030.

There have been no other changes in Spark's short-term financing programmes or stand-by facilities since 30 June 2019. Changes in long-term financing are disclosed in Note 2 page 8 of these interim financial statements.

Notes to the interim financial statements

NOTE 6 Debt (continued)

Net debt

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

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

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

| | AS AT 31 DECEMBER 2019 UNAUDITED \$M | AS AT 30 JUNE 2019 AUDITED \$M |
|---|--|--|
| Cash | (54) | (54) |
| Short-term debt at face value | 240 | 150 |
| Long-term debt at face value | 1,315 | 1,205 |
| Net debt at face value | 1,501 | 1,301 |
| To retranslate debt balances at swap rates where hedged by currency swaps | 25 | 15 |
| Net debt at hedged rates¹ | 1,526 | 1,316 |
| <i>Non-cash adjustments</i> | | |
| Impact of fair value hedge adjustments ² | 31 | 31 |
| Unamortised discount | (1) | - |
| Net debt at carrying value | 1,556 | 1,347 |

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

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

Notes to the interim financial statements

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

| SIX MONTHS ENDED 31 DECEMBER | 2019 | 2018 |
|---|------------|------------|
| UNAUDITED | \$M | \$M |
| Net earnings for the period | 167 | 153 |
| Adjustments to reconcile net earnings to net cash flows from operating activities | | |
| Depreciation and amortisation | 234 | 245 |
| Bad and doubtful accounts | 9 | 9 |
| Deferred income tax | (3) | (6) |
| Share of associates' and joint ventures' net losses | 1 | - |
| Impairments | - | 5 |
| Other gains | (4) | - |
| Other | 5 | (1) |
| Changes in assets and liabilities net of effects of non-cash and investing and financing activities | | |
| Movement in receivables and related items | 19 | (42) |
| Movement in inventories | (41) | (32) |
| Movement in current taxation | (9) | 30 |
| Movement in payables and related items | (21) | 32 |
| Net cash flows from operating activities | 357 | 393 |

Notes to the interim financial statements

NOTE 8 Dividends

On 19 February 2020 the Board approved the payment of a first half ordinary dividend of 12.5 cents per share or approximately \$230 million. The dividend will be 75% imputed in line with the corporate income tax rate. In addition, supplementary dividends totalling approximately \$19 million will be payable to shareholders who are not resident in New Zealand. In accordance with the Income Tax Act 2007, Spark will receive a tax credit from Inland Revenue equivalent to the amount of supplementary dividends paid.

| | H1 FY20 |
|---|--------------------|
| | ORDINARY DIVIDENDS |
| Dividends declared | |
| Ordinary shares | 12.5 cents |
| American Depositary Shares ¹ | 40.27 US cents |
| Imputation | |
| Percentage imputed | 75% |
| Imputation credits per share | 3.6458 cents |
| Supplementary dividend per share ² | 1.6544 cents |
| 'Ex' dividend dates | |
| New Zealand Stock Exchange | 12/03/20 |
| Australian Securities Exchange | 12/03/20 |
| American Depositary Shares | 12/03/20 |
| Record dates | |
| New Zealand Stock Exchange | 13/03/20 |
| Australian Securities Exchange | 13/03/20 |
| American Depositary Shares | 13/03/20 |
| Payment dates | |
| New Zealand and Australia | 3/04/20 |
| American Depositary Shares | 17/04/20 |

1 For H1 FY20, these are based on the exchange rate at 17 February 2020 of NZ\$1 to US\$0.6443 and a ratio of five ordinary shares per one American Depositary Share. The actual exchange rate used for conversion is determined in the week prior to payment when the Bank of New York performs the physical currency conversion.

2 Supplementary dividends are paid to non-resident shareholders.



Independent Review Report

To the shareholders of Spark New Zealand Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 3 to 16 do not:

- i. Present fairly in all material respects the group's financial position as at 31 December 2019 and its financial performance and cash flows for the six month period ended on that date; and
- ii. comply with NZ IAS 34 *Interim Financial Reporting*.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Spark New Zealand Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the group in relation to regulatory audit, other assurance related services (such as trustee reporting) and compliance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as reviewer of the group. The firm has no other relationship with, or interest in, the group.



Use of this Independent Review Report

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



Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 *Interim Financial Reporting*;
- implementing necessary internal controls to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the interim consolidated financial statements

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

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG
Wellington

19 February 2020

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