



SHAREHOLDER UPDATE

October 2019



Dear Shareholder

Having stepped into the CEO role following Simon's departure at the end of June, I'm excited to lead Spark into a new era.

In August, I was pleased to announce to the market that Spark had delivered earnings growth, stronger operating margins and market share gains in its financial results for the year ended 30 June 2019. These results show we

are on track to deliver on key financial aspirations communicated in June 2017 as part of our three-year strategy.

In a year in which we implemented and embedded massive change with the move to Agile ways of working, we're pleased to have delivered financial results that are in line with expectations. Net earnings were \$409 million, up 12.1% on a reported basis, or 2.2% when the prior year result is adjusted for implementation costs incurred in support of our Quantum business improvement programme. This was despite operating revenues and other gains being flat year-on-year, as growth markets - mobile, broadband, cloud and security - were offset by expected declines in our legacy voice and managed data and networks products.

Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) grew by 11.1% to \$1,090 million on a reported basis (or 5.8% when FY18 is adjusted for Quantum implementation costs) - towards the top end of our guidance range. An important driver of improved earnings was our continued focus on cost, resulting in lower direct product costs and labour expenses.

This year, we continued to deliver on the key planks of our strategy, which has seen us grow our business in the highly competitive cloud services and mobile categories, hold our broadband position, enter new markets like sports streaming, lead on cost management and continue to transform our company culture.

Spark significantly outperformed our mobile market competitors, securing more than 60% of total market growth in mobile service revenue and mobile connections.

For the year ahead, we have some clear strategies and ambitious goals that underpin our targets: We will be focusing on building greater customer intimacy to better serve customer needs; creating a wireless future for New Zealand and leading the transition to 5G; creating New Zealand's premier sports streaming experience with Spark Sport; continuing to grow in key markets - mobile, cloud, security and data; maturing our Agile ways-of-working; continuing to deliver best cost; and helping to make a positive contribution to New Zealand by leading on sustainability.

Executing these priorities well will continue to be an important part of our success.

I'm excited about the opportunities ahead and I'm committed to leading Spark to bring the future faster to New Zealand. In doing so, I want to continue building an organisation that is growing, thriving and delivering value for our customers, our people and our investors.

Jolie Hodson
Chief Executive

Women in Governance award win

In June, Spark's Board Chair Justine Smyth was named winner of the Inspiring Governance Leader category at the annual Women in Governance Awards.

The Awards are an initiative of Governance New Zealand, and look to recognise and celebrate innovation, excellence, creativity and commitment to diversity by both organisations and individuals.

The Inspiring Governance Leader Award is the supreme award for the evening - presented to "a woman who is truly an inspiration and role model for all women".

Justine's win is a fantastic acknowledgement of the work that she has done - both publicly and behind the scenes - to promote diversity and inclusivity on New Zealand boards and in the organisations she represents.

Justine has also been nominated as a finalist in the Board and Management category for the 2019 Women of Influence Awards. The winners will be announced on October 24th at the Awards Dinner at SKYCITY in Auckland.



Justine Smyth

New products for seniors

With about 21% of New Zealanders predicted to be aged 65 plus by 2032, it makes sense for Spark to provide more solutions to address the needs of this age group. In July, we announced two new products that will help the older generation win big in a digital world, Call Screen and Spark Gold Plans.

Call screen

The number of phone scam victims in New Zealand has continued to grow over the past few years and many are still losing thousands of dollars after falling victim to tricky scammers. And as avid landline users, many of those who have fallen victim have been seniors.

New Zealand's first home phone with nuisance call blocking technology, Call Screen is designed to help protect customers from scams and other nuisance calls. Users can decide who they talk to by screening incoming calls, reducing the fear of becoming victim to scammers.

Most of the time, scammers use what's called robo-dialing to carry out their scamming activity, which means they use a software that automatically calls a series of numbers and an actual scammer won't be prompted until a person answers one of the calls. A scammer's robo-dialing system isn't sophisticated enough to be able to leave a name, a requirement of the Call Screen technology. That means the call won't connect and the home phone won't ring in the first place.

It's important to remember though, that not all scammers use robo-dialing technology. Some scammers will be people posing to be from a reputable company. They will be able to leave their name and the phone will ring, so it's important to remain diligent when receiving calls out of the blue.

Spark Gold Plans

We've also introduced two pay monthly mobile plans designed to meet the needs of those aged 65 years and over - the very affordable Spark Gold Plans. These plans are only available to the 65+ age group, giving them less of what most don't need i.e. data and plenty of what they do need i.e. calling at an excellent price. In fact, one of them is the most affordable advertised pay monthly mobile plan in NZ!

Basic and Gold Talker pay monthly mobile plans are available to those aged 65 and older. More information on Spark's Gold plans can be found at spark.co.nz/shop/mobile-plans/gold-plans.

Leaven

In August, we announced the launch of a new digital transformation consultancy, Leaven, built to help organisations as they make the shift to new and more digital ways of working.

As the world enters into the digital era, organisations are actively looking for smarter ways to turn their aspirations for digital transformation into action. Leaven is one of Spark's many solutions to help New Zealand business win big in a digital world.

Leaven will be led by former Revera CEO Robin Cockayne and will focus on cloud adoption, operations and digital innovation, and effectively establishing processes and technology enablers that underpin business transformation. And they'll be combining local experience with intellectual property exclusively licensed from Cloud Technology Partners, a Hewlett Packard Enterprise company, to pull it off.

The Leaven team has already been working with several public sector and commercial customers, finding the value proposition is resonating with the local market. For more info, visit leaven.co.nz.

leaven.
Accelerating cloud and business transformation for New Zealand organisations
leaven.co.nz

Spark Sport

Spark Sport is revolutionising how New Zealanders watch their favourite sporting events. With the Rugby World Cup currently underway, our service is encouraging New Zealanders to adopt streaming for sports viewing in the same way that many have already adopted streaming for entertainment options such as Lightbox, Netflix and TVNZ OnDemand.

Since we launched in mid-March, Spark Sport has streamed more than 1,200 events and 15,000 hours of live and on demand content, including rugby, football, tennis, motorsports, basketball, mixed martial arts, racing, boxing, hockey, e-sports and athletics.

In the lead up to the Rugby World Cup, our key priority was to encourage customers to get 'streaming ready'. Our early bird pricing strategy and extensive media and marketing campaign were designed to encourage New Zealanders to get themselves ready to watch way before the first match.

The Spark Sport app is available across a range of different devices and media players, which gives viewers plenty of choice about when and where they want to watch, be it on the go or at home on their big screens.

The sports included with the Spark Sport monthly subscription also continue to grow, with a range of exciting new events being added to the platform.

In November, Spark Sport will play host to the Emirates Australian Open 2019 golf tournament. Golf fans will be able to watch all the action live or on demand within the price of their Spark Sport subscription.

GLOBAL SPORTS LOCAL RATES
\$19.99 /MONTH
Spark Sport
sparksport.co.nz
Compatible devices only (max one stream at any time). You must have iOS 10 or above on Apple devices or Lollipop 5 or above on Android devices in order to use the Spark Sport app. You will be charged \$19.99 a month after trial ends, unless you suspend before. Auto renews each month unless suspended. Terms apply.

Moving towards a 5G future

New Zealand needs strong, adaptable infrastructure to power our businesses and our people and Spark has been leading the way by significantly investing in our mobile and internet of things networks to provide customers with world-class service and innovative products.

With the launch of our 5G innovation lab in Auckland, Spark became the first New Zealand business to showcase this exciting new technology. Since opening in November 2018, the lab has hosted more than 2,700 visitors. We also opened a 5G collaboration space in June 2019, an extension of the innovation lab, enabling Kiwi businesses to test, innovate and explore the future of 5G. In just a few months we have had six businesses complete their testing.

We also collaborated with Ohmio Automation to test New Zealand's first 5G connected driverless car on Auckland streets. The test used Spark's pre-commercial 5G network, available as part of the 5G Innovation Lab.

With 5G becoming a feature of public conversation, there has been growing debate and some confusion about electromagnetic fields (EMFs) from cell phones and cell sites and the impact these have on human health. However, 5G is just another application of radio technology and its usage will be covered by the existing New Zealand safety standard for radio frequency fields.

All Spark cell site infrastructure operates well within safety limits - which incorporate substantial safety margins - and our 5G network will continue to do so. We design all our mobile cell towers to comply with National Environmental Standards (NES) including NZS 2772 (the New Zealand Standard for radio frequency fields). Based on our continuous robust testing obligations, all Spark's cell towers transmit at less than 5% of the New Zealand exposure limit outlined in NZS 2772.

Leadership Squad changes

In April we announced that Grant McBeath would become our Customer Director. Grant stepped into the role on 1 July and replaced Jolie Hodson who became Spark's Chief Executive from that date.

Grant has a strong track record of building high performing teams and delivering for customers - not only at Spark, but also in his time in global executive roles in companies like Nokia. It is fantastic to have a high-quality internal candidate to step into the role of Customer Director. The role requires a deep understanding of both the competitive market Spark operates in and the evolving needs of our customers. Grant has previously acted on Spark's Leadership Squad over an extended period of time; demonstrating his ability to shape and execute strategy at this level.

In August we announced that Heather Polglase would become Group Human Resources Director on 1 September 2019. Heather succeeded Joe McCollum, who stepped down after seven years in the HR role. Heather joined Spark in 2013 and has since led a number of important HR initiatives including being a key architect of Spark's Leadership and Development Programme.

The Spark Leadership Squad is as follows:

Chief Executive: Jolie Hodson

Customer Director: Grant McBeath

Finance Director (CFO): David Chalmers

General Counsel: Melissa Anastasiou

HR Director: Heather Polglase

Marketing Director: Matt Bain

Product Director: Tessa Tierney

Technology Director: Mark Beder

Spark's Sustainability Strategy

As a purpose driven organisation, Spark wants to make a positive contribution to New Zealand and we take our role as a responsible corporate citizen very seriously. We have a new sustainability strategy that focuses on four pillars - fairness and inclusion; environmental protection; a prosperous New Zealand; and trust and transparency.

We have set ourselves a three-year goal to become a recognised leader in sustainability in New Zealand - a big aspiration for our business.

Digital inclusion is a big area of focus for us - particularly as there are approximately 40,000 New Zealand homes with school age children who don't have access to the Internet. By removing barriers to connectivity, such as cost and lack of capability, we can help ensure no New Zealander is left behind in a digital world.

New privacy policy

Spark has a new Privacy Policy that tells people how we collect, use and protect their information. It also tells them who we share their information with and how.

Previously, we had information about customer privacy in our customer terms and conditions. This new policy provides all the information customers need regarding their personal data in one easily accessible place on our website.

Our customers, along with the rest of the New Zealand public, value their privacy and they trust that we will protect and manage information about them in a way that aligns with their expectations. Spark is committed to respecting the privacy of our customers and the personal information they entrust to us.

It is also Spark's focus to enable our customers to safely and easily manage their personal information. Being transparent with our customers is a key part of this.

NZ's lowest priced unlimited mobile plan
\$77
Max speeds reduced after 40GB
Renews every 4 weeks
Plan compared to comparable non-promotional monthly single customer unlimited plan price with hotspotting included. Standard person to person NZ & AU texts and calls. No rollover, purchase of Data Binge or gifting. Skinny terms apply.
Skinny

OUR PURPOSE
TO HELP ALL OF NEW ZEALAND WIN BIG IN A DIGITAL WORLD
ĀWHINATIA NGĀ TANGATA KĀTOA O AOTEAROA
KIA MATOMATO TE TIPU I TE AO MĀTIHIKO

OUR 3 YEAR GOAL
SPARK IS A RECOGNISED NEW ZEALAND LEADER IN SUSTAINABILITY

FAIRNESS & INCLUSION
WE'RE DOING OUR BIT TO BUILD A FAIRER & MORE INCLUSIVE SOCIETY, STARTING WITH OUR OWN BUSINESS

ENVIRONMENTAL PROTECTION
WE PROTECT & RESTORE THE ENVIRONMENT THROUGH OUR BUSINESS OPERATIONS & OUR VALUE CHAIN

A PROSPEROUS NEW ZEALAND
WE'RE INVESTING IN THE PEOPLE, INFRASTRUCTURE & SERVICES NEW ZEALAND NEEDS TO PROSPER IN A DIGITAL WORLD

TRUST & TRANSPARENCY
WE ARE RESPONSIBLE, ETHICAL & TRANSPARENT IN ALL OUR BUSINESS ACTIVITIES

Product recall

In early August, we announced an immediate product recall of a power back-up device that had been issued to approximately 14,000 wireless landline phone customers during the previous four months.

The power back-up had been included to ensure that wireless landlines would continue working for four hours in a power cut. The recall followed the discovery of a manufacturing error in some power back-ups that could cause the unit to overheat, leading to a fire risk. We are not aware of any harm being caused to any customers by this manufacturing issue. But because our customer's safety is paramount, we made the decision to immediately recall all wireless landline power back-ups issued between 22 March 2019 - 2 August 2019.

We contacted customers several times to advise them on next steps. We also let them know that their wireless landline would still work without the power back-up, but if they needed something to fall back on during a power cut we could arrange alternative technology for them. Customers were able to take their power back-up to their nearest Spark store or arrange for us to collect it.

So far, we've had more than 11,500 power back-ups returned, but we're still working hard to recall the remainder. If you know anyone with a wireless landline, please check that they've returned their power back-up to Spark. You can find more information at spark.co.nz/productrecall

Mental Health and Wellbeing at Spark

The health and wellbeing of our people is something we take very seriously.

Beginning with an open dialogue at a staff conference in 2017, Spark has been heavily engaged in mental health initiatives in the workplace, building up a volunteer staff-led community of around 650 employees and today having almost 60% of staff engaging with our mental health community and related content.

Recently, Spark was recognised for its mental health and wellbeing efforts and nominated as a finalist in the Emerging Diversity and Inclusion Category at the 2019 Diversity Awards NZ, which honours a diversity and inclusion initiative that is less than two years old.

We're currently implementing a broader Health & Wellbeing programme to help make sure we are doing what we can to encourage each and every one of us to lead a healthy lifestyle, and care for ourselves and each other.

We want this programme to be as relevant to our people as possible so that we get high engagement and hopefully make a real difference.

We recently signed what's called the 'WorkWell Pledge,' a wellbeing agreement to work collaboratively with Toi Te Ora Public Health, who are regarded as one of the leading health and wellbeing experts in New Zealand, on improving the mental and physical health and wellbeing of Spark NZ staff.

In partnership with Toi Te Ora Public Health and Spark's own Health Safety and Wellbeing ambassadors, we want to establish a world class framework that promotes staff wellbeing. It's an ambitious goal, but worth striving for - and people we've spoken to are very excited and inspired by what we could achieve.

News in brief

Music

We've partnered with New Zealand's biggest summer music festival Bay Dreams and Six60 to bring Spark customers awesome experiences and benefits this summer.

We will also be returning to Splore again this year with 'money can't buy' experiences and ticket giveaways for Spark customers at the event in February. For more information visit spark.co.nz/music

Internet of Awesome things podcast

To help demystify what a lot of people see as a seemingly mysterious technology, Spark recently launched a podcast dedicated to the Internet of Things, called The Internet of Awesome Things.

Hosted by well-known New Zealand media commentator, Russell Brown, the podcast boils down the basics of IoT, covering where it came from, where it's going, what it is and what it means for New Zealanders.

Across six episodes, Russell, with the help of tech experts, explores how IoT is being used by businesses and finds 20 billion things to get excited about.

To hear more please subscribe to the "Internet of Awesome Things" at spark.co.nz/iotpodcast or wherever you normally get your podcasts.

Electronic Shareholder Communications

Spark New Zealand shareholders can choose to receive all communications electronically. This makes it more efficient and convenient for you, plus it reduces environmental impact and cost.

You can select how you receive communications from Spark New Zealand by visiting the Link Market Services website.

NZ registered holders:

linkmarketservices.co.nz please select "Investor Login" on the top right hand side of the page. Please select "Spark New Zealand Limited" from the issuer drop down box. You will need your CSN/holder number and FIN to complete the investor validation process.

AU registered holders:

Go to linkmarketservices.com.au please select "Investor and Employee Login" on the top right hand side of the page. Please select "Spark New Zealand Limited" from the issuer drop down box. You will need your holder number (SRN or HIN) and postcode to complete the investor validation process.

